KAPCHORUA TEA KENYA PLC

ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

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KAPCHORUA TEA KENYA PLC

NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 79th Annual General Meeting of the Shareholders will be held by electronic communication on Friday 23rd July 2021 at 10.00 a.m. for the following purpose:

Ordinary Business:

1) To receive and adopt the report of the directors together with the audited financial statements for the year ended 31 March 2021.

2) To approve a dividend of Ksh 10 per share in respect of the year ended 31st March 2021, and for the purposes of determining shareholders qualifying for dividend to approve closure of register for two days, from 22nd to 23rd July 2021.

3) To re-elect Directors:

   i) In accordance with Article 95 of the Company's Articles of Association, Mr.Ezekiel Ndichu Kimatu Wanjama retires by rotation and offers himself for re-election.

   ii) In accordance with Article 95 of the Company's Articles of Association, Mr. Mathew Koech retires by rotation and offers himself for re-election.

4) In accordance with the provisions of Section 769 of the Kenyan Companies Act 2015, the following directors being members of the Governance and Audit Committee, be appointed individually to continue to serve as members of the 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 LLP 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) To transact such other business as may be brought before the meeting.

BY ORDER OF THE BOARD

GILBERT K MASAKI
SECRETARY

28th June 2021

KAPCHORUA TEA KENYA PLC

CORPORATE INFORMATION

DIRECTORS	E N K Wanjama	- Chairman
	A L Carmichael	- Managing Director
	S N Thumbi	- Farm Director
	J P Brooks	
	M Koech	
	P Magor	
	E C Magor	
GOVERNANCE & AUDIT COMMITTEE	M Koech	- Chairman
	J P Brooks	
	E C Magor	
BOARD 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

Gilbert K Masaki
Certified Public Secretary (Kenya)
P. O. Box 42281 - 00100
Nairobi

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS

Kapchorua
Kapchorua Road
P. O. Box 12 - 30301
Nandi

AUDITORS

Deloitte & Touche LLP
Certified Public Accountants (Kenya)
Deloitte Place, Waiyaki Way, Muthangari
P. O. Box 40092 - 00100
Nairobi

CORPORATE INFORMATION (Continued)

PRINCIPAL BANKERS	ABSA Bank Kenya Plc Absa Plaza Business Centre P. O. Box 46661 - 00100 Nairobi
	ABSA Bank Kenya Plc Eldoret Branch P. O. Box 22 - 030030 Eldoret
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

KAPCHORUA TEA KENYA PLC
FINANCIAL HIGHLIGHTS

		2021	2020	2019	2018	2017
Tea production						
Area under tea	Hectares	638	619	623	627	623
Made tea - own	'000 kgs	1,932	1,819	2,070	2,095	1,709
- bought leaf	'000 kgs	4,814	4,087	3,730	3,654	3,741
Total	'000 kgs	6,746	5,906	5,800	5,749	5,450
Tea sold	'000 kgs	7,078	5,437	5,787	5,615	6,240
Average sales price per kg (gross)	Sh	206.24	208.62	237.91	254.56	207.07
Revenue - tea sales (Sh'000)		1,445,640	1,134,302	1,376,832	1,429,341	1,292,123
Profit /(loss) (Sh'000)						
Profit/(loss)/before taxation		34,114	11,324	(151,676)	257,238	(72,323)
Taxation (charge)/credit		(27,049)	8,113	26,011	(90,833)	20,554
Profit/(loss)/ for the year		7,065	19,437	(125,665)	166,405	(51,769)
Capital employed (Sh'000)						
Assets (Sh'000)						
Property, plant and equipment		991,564	829,983	919,374	1,024,462	922,104
Right of use assets – leasehold land		19,794	19,821	-	-	-
Prepaid operating leases		-	-	19,845	21,573	21,597
Intangible assets		42	139	501	808	1,008
Biological assets		197,962	215,614	220,347	344,851	296,181
Unquoted Investments		717	717	717	717	717
Current assets		871,626	875,728	872,389	1,096,632	788,704
Total assets		2,081,705	1,942,002	2,033,173	2,489,043	2,030,311
Liabilities (Sh'000)						
Provision for employee entitlements		140,767	132,525	130,845	131,408	138,209
Deferred taxation		268,738	201,638	241,285	310,417	248,832
Current liabilities		185,939	180,948	193,329	375,599	227,768
Total liabilities		595,444	515,111	565,459	817,424	614,809
Net assets		1,486,261	1,426,891	1,467,714	1,671,619	1,415,502
Financed by (Sh'000)						
Share capital		39,120	39,120	39,120	39,120	39,120
Revaluation Surplus		374,936	255,729	251,758	281,830	179,798
Retained Earnings		1,072,205	1,132,042	1,176,836	1,350,669	1,196,584
Shareholders' funds		1,486,261	1,426,891	1,467,714	1,671,619	1,415,502
EARNINGS/(LOSS) PER SHARE	Sh	0.90	2.48	(16.06)	21.27	(6.62)
PROPOSED DIVIDENDS PER SHARE (par value)	%	200	200	200	200	60
PROPOSED DIVIDENDS PER SHARE	Sh	10.00	10.00	10.00	10.00	3.00
PROPOSED DIVIDEND COVER	Times	0.09	0.25	(1.61)	2.13	(2.21)
Closing exchange rates	US $	109.51	104.69	100.75	100.85	103.00
	UK £	150.69	129.87	131.85	142.31	128.83

CHAIRMAN'S STATEMENT

RESULTS

The company reported a profit for the year of Sh 7 million in 2021 compared to a profit for the year of Sh 19 million reported in 2020.

Please refer to page 24 of the financial statements.

High crops and very difficult trade conditions notwithstanding, the income statement highlights the division between operational profit and gains from property revaluations as part of statutory accounting regulations.

Crops

The crop figures for the year are given on page 5.

These figures tell their own tale and are a record for the company with weather patterns continuing from last year's statement where I reported "we had seen unprecedented rain from October 2019 to March 2020". April 2020 to March 2021 saw, if not an abundance, sufficient rainfall to enable good crops to be reported. A look back at the figures show less rainfall than the previous year but totals very much in line with the 10 year average rainfall.

Rain fed agriculture will prosper if it rains and whilst a certain caveat must accompany our record crop report, that is the volumes of our smallholder leaf were the key to achieving a record crop, the farms were nonetheless not far behind their own very high crop figures of the previous financial year.

Smallholders are very much a critical part of our business and by delivering green leaf to us, on a willing buyer/willing seller basis and contract as a collective they endorse and validate our systems and principles by partnering and trusting us for mutual gain.

Cost of Production

With good rains and higher crop we can better manage our costs by operating at optimum limits much of the time rather than witnessing costly, under used factories unproductively making tea.

However, with a global pandemic and massive uncertainties it is inevitable that with inflationary pressures, costs rise.

Local and national pressures on tax rises, the costs of trying to settle land matters through our Association, The Kenya Tea Growers Association (KTGA) and various Court petitions and additional questions raised over some parts of the new Tea Act, all represent external pressures on the business and remain a threat.

The 2010 Constitution remains a grey area apropos land matters, even for publicly quoted Kenyan companies. Our belief remains that one day we shall be granted 99 year leases following the removal of freehold titles and 999 year leases on August 27th 2010, in the certain knowledge that we are responsible custodians of the land.

In spite of this land title uncertainty and the occasional populist political threat, we continue to invest in the company.

To become more cost effective it is essential that factory processing is uninterrupted. One power cut disrupts our factory for 20 minutes. This one power cut can be followed by multiple power cuts the same evening. This negatively impacts tea quality which then reduces the price of tea sold.

By investing in sustainable and renewable energy we are furthering our desire to leave as small a footprint as possible on the climate and release as little carbon as possible into the atmosphere.

We have recently prepared sections of our farms to be suitable for harvesters. These harvesters are now operational and very productive. With hard work and training these harvesters are now harvesting very good quality leaf and have become a vital part of improving our leaf quality whilst greatly assisting in the inescapable necessities of battling rising costs and ensuring the farms remain viable and sustainable.

Markets

For as many years as I can remember the policy of the company was to try and sell tea "before it was made". In other words, utilize a well-established network of mostly global tea buyers to enter into forward or spot contracts which were then negotiated and delivered on the agreed date. You can imagine that accurate logistics and shipping performance in this example is almost as critical as the quality of the tea sold, and we became rather good at it.

During the financial year under review attempts to reform the way the industry goes about its business were commenced with the publication of new regulations that were to accompany the hitherto dormant Tea Act of 2018.

It emerged clearly that the national government are intent on redefining the way that the Kenya Tea Development Authority (KTDA) was structured and delivering more power and voting rights to the smallholders delivering green leaf to the KTDA factory of their choice.

Change is never easy however worthy the cause.

There are multiple challenges both legal and verbal related to the regulations taking place as I write. Whilst the aim of the regulations was to assist in creating more transparency and democracy in the small holder sector some of the regulations were naturally to impact on the whole of the Kenya tea trade.

This is a trade employing thousands and certainly since the travails of the travel industry following Covid-19 and the reduction of transferred funds from the Kenyan diaspora, tea is comfortably the largest forex earner for Kenya. An important industry.

Whereas before the regulations, there was a certain commercial reluctance by the company to utilize the Mombasa auction, for reasons of tea quality, existing long standing client contracts, flexibility in price negotiation, not wishing to be sidelined in a terminal market, being some of the reasons, the regulations now demanded that save from some exceptional tea items, all teas from Kenya must be sold through the auction system. So, in the time it took the financial year to pass, that is what we are now doing. Not 100% as yet, but for the majority of what we produce as we await the judicial ruling on the various court petitions filed against this and other sections in the Tea Act.

Naturally, the KTDA are foremost in their wish to dilute and challenge some of the regulations (which along the way were incorporated into a 2020 Tea Act) but for the commercial tea companies, questions over the viability of <u>only</u> selling in an auction rather than <u>deciding</u> to sell through an auction and the re-imposition of a cess on the value of tea sold (thereby perhaps devaluing high value tea) have been questioned through the courts.

A change to an "i" trading auction system from an analogue open cry auction system has also been implemented in the past few months. It is not without controversy, cost or dissenting voices, but it is there and will be there to stay.

It is easy to write; we are now selling the majority of our produce through the Mombasa auction when 12 months previously the majority of teas were sold by private contract. It is quite another to implement and achieve the change with adequate commercial reward and without many problems.

Factor in the weakest market in living memory and difficulties begin to multiply.

Tea manufacture and marketing retains some of its fascination through the many variables that exist when setting out a vision and plan best fitted to provide a decent return for the company in question. For your company to have to abruptly change a long standing policy and decision making as to what type of tea to make and to whom should this tea be sold has been an interesting and challenging journey, not I hasten to add without some bumps in the road.

Change is often necessary but never easy.

We can be proud of the immense efforts made by the farm and marketing teams responsible and a growing, gradual success in enticing new buyers to buy our teas they may have previously ignored or not seen. In a short time frame, we have witnessed a price premium to old established auction marks.

These words are a somewhat crude and condensed explanation of what has been, and will continue to be, a somewhat protracted endeavor to place our teas at the top of our target markets within the guidelines recently set. However, if I was to explain every twist, turn and nuance in achieving so much in a short space of time, the reader would be fast asleep before the page was turned.

Market Outlook

Over the year there have been multiple press articles, opinion pieces and speculation as to how the overall governance and regulatory structures for the tea industry should be managed through new regulations.

It is easy to become sidetracked by opinion, however we have endeavored to change when instructed and required but otherwise steer a steady management course through tried and trusted means.

The facts of the market place are such that through high production leading to global over supply, reduced demand in some key markets and economic weaknesses in others, coupled with Covid–19 disruptions have left average Mombasa auction pricing at an all-time low. New Tea Acts and new regulations are unlikely to impact the harsh realities of the most basic economic equation of supply and demand. If dry weather or significantly better demand were to affect the supply side then we shall see some improved prices, without those elements we will not.

The price drop is out of our hands therefore improving operational efficiencies and curbing costs in key areas are non-negotiable.

The outlook remains very much the same as I wrote last year, tough times ahead.

Other selling opportunities slowly emerge. There is growing demand in blending and repacking operations from Eastern and Southern India. We provide some orthodox tea grades to eastern Europe and the Middle East. Small pockets of interest in green teas are occurring. We are challenging our factories to generate factory gate sales demand for national and regional sellers. At this stage black tea is the main percentage of our production, however marginal gains are being witnessed elsewhere which we shall continue to monitor and pursue.

General

By 2021 the world had become fully aware of the unstoppable spread of the coronavirus, the virus's ability to constantly mutate and the difficulties and costs associated with creating and rolling out vaccinations as a major control point.

Wealthy nations proved that by spending enormous sums of money the development of vaccines was entirely possible very quickly. Clearly the logistics of delivering vaccinations to populations is a costly and difficult task, and we hope that wealthy nations are prepared to assist those who are less fortunate so that everybody, not just a select number may be protected and perhaps a new normality will evolve.

The advice from the Ministry of Health has been clear and we have followed the guidelines with as strict controls as possible. The farm continues to report weekly, verbally and pictorially on the progress made and to create a large database of information that will continue to educate us all on how best to achieve successful preventive methods. Our key concern has always been to keep all our employees safe and well, and whilst we all recognize the virus may strike at any time I can report since the start of this financial year we had only one confirmed case of Covid-19 on one farm to date.

We remain grateful to the Government for a clear and settled instruction on the continuation of essential businesses, our business partners, our smallholders, our essential suppliers and providers for all acting in a diligent and responsible manner.

General Outlook

None of us know what the future holds, but if we can continue to operate in the same responsible manner going forward that has prevailed for the past year relating to Covid-19 in the knowledge that thus far we have successfully managed our business aspirations as best we can, we can be reasonably confident that we are on the right path.

What else are we doing? We produce products that are certified by third parties. We are pesticide free, we plant trees, we preserve our soils, we educate and practice sustainable values, we have invested in renewable energy, we provide indigenous areas serving as wildlife habitats. We shall continue to explore ways of capturing and benefitting from carbon credits and assist smallholders to do the same for mutual and regional benefit.

We have pushed on with our investment in satellite technology to assist us to observe which tea section is healthy and which may require a helping hand. Healthy tea bushes provide better opportunities to making good teas and assisting in delivering more successful and sustainable companies.

General Outlook (Continued)

We will continue to invest in mechanical harvesters, providing more skills to the workforce and more productivity which is critical in ensuring Kenya tea remains competitive in the global market place.

Dividends

In view of the results, the Directors are recommending a final dividend payment of Sh 10 per share (2020: Sh 10 per share) from revenue reserves.

Corporate Social Responsibility

The company continues to embrace social enhancing ethics, food safety standards and sustainable agricultural practices. The company is still certified by ISO 2200:2005, Rainforest Alliance, FSSC 2200 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 company continues to provide extensive medical services to its employees with 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 Company continues to support the running and development of various sponsored Primary and Secondary Schools in Nandi County. We continue to operate several creches and a Primary 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 450 with over 900 of their dependents who also benefit from the social and welfare amenities provided.

During the year, the company spent over Sh 27 million on employees' pension, gratuities, leave and medical expenses over and above employees' direct wages.

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 Ronald Ngala. My thanks also go to our Nairobi Head Office.

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

E N K WANJAMA
CHAIRMAN

29th June **2021**

CORPORATE GOVERNANCE STATEMENT

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

Board of Directors

The Board as at 31 March 2021 consisted of seven directors, five of whom were non-executive directors including the Chairman. Among the non-executive directors three are 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 company's strategy and to lead the company effectively.

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

The Board is responsible for formulating policies and strategies and ensuring that the business objectives aimed at promoting and protecting shareholder 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 its 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 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 4 to the financial statements.

Executive directors' remuneration is paid by Williamson Tea Kenya Plc, a shareholder of the company which has 39.56% shareholding in Kapchorua Tea Kenya Plc. Williamson Tea Kenya Plc in turn recharges Kapchorua commission calculated as a percentage of revenue to recover these and other costs.

Directors' shareholding

None of the directors as at end of the year 31 March 2021 held shares in their individual capacity that were more than 2% of the company's total equity. The directors' direct interest in the shares of the company as at 31 March 2021 is summarised below:

Name	Number of Shares	
	2021	2020
E N K Wanjama	200	200
J P Brooks	9,000	9,000
	====	====

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 responsibilities are discharged through the Williamson Tea Kenya Plc governance and audit committee. This committee meets regularly ahead of scheduled full Board meeting dates, and as appropriate on other occasions. It reviews corporate governance compliance issues, and its implementation; risk management; internal control; and external auditors' plan and reports.

Board Nominating committee

The Board of the company 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 that 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 company's system of internal controls and for reviewing their effectiveness. The company has defined procedures and financial controls to ensure the reporting of complete and accurate accounting information.

The systems in place are designed to ensure that authority is obtained for any major transaction, and that the company complies with all Kenyan laws and regulations, including those that govern sound financial management. Procedures are in place to ensure that all assets are subject to proper physical controls and these are professionally revalued every three years.

The company's internal auditor reviews policy, systems and procedures on a regular basis and reports to the Managing Director and the governance and audit committee.

Communication with shareholders

The company is committed to ensuring that there is open and good communication with shareholders through the Annual General Meeting, distribution of the company's annual report and the release of notices in the press of its half yearly and annual results.

CORPORATE GOVERNANCE STATEMENT (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.

Major shareholders

As at 31 March 2021, the top 10 shareholders were as follows:

	Name	Location	No of shares	%
1	Williamson Tea Kenya Plc	Nairobi	3,095,560	39.56
2	Ngong Tea Holdings Limited	London	1,874,528	23.96
3	Shawmut Limited	Nairobi	978,000	12.50
4	Eric Charles Simons	London	120,000	1.53
5	Mr Minesh M Shah	Nairobi	118,428	1.51
6	Satchu Aly-Khan	Nairobi	109,400	1.40
7	Kanaiyalal Mansukhalal &Shah Lalitaben Kanaiyalal	Nairobi	89,268	1.14
8	Mr. Ronald Carlile Buxton	London	67,500	0.86
9	Bijal Mulchand Shah	Nairobi	63,632	0.81
10	John.N. Brooks & J.T. Brooks	Koru	46,600	0.6

Analysis of shareholders

By region:

	Number	Shares held	%
Foreign shareholders	27	2,277,396	29.11
Local shareholders (Individuals)	658	1,323,092	16.91
Local shareholders (Institutional)	44	4,223,512	53.98
	729	7,824,000	100

By shares distribution:

Less than 501	464	61,232	0.78
501 To 10,000	222	586,872	7.50
10001 To 100,000	37	879,980	11.25
100,001 To 1,000,000	4	1,325,828	16.95
Above 1,000,000	2	4,970,088	63.52
	729	7,824,000	100

2020/2021 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	4/4		1/1
E Magor	Non-executive		Membership	√	√	
			Attendance	4/4	2/2	
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 Head of Finance are not members of the Governance and Audit Committee but attend by invitation.

E N K Wanjama
Chairman

A L Carmichael
Managing Director

KAPCHORUA TEA KENYA PLC

REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements of Kapchorua Tea Kenya PLC ("the company") for the year ended 31 March 2021, which show the state of financial affairs of the company.

ACTIVITIES

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

RESULTS FOR THE YEAR

	2021 Sh'000	2020 Sh'000
Profit before taxation	34,114	11,324
Taxation (charge)/credit	(27,049)	8,113
Profit for the year transferred to retained earnings	7,065	19,437

BUSINESS REVIEW

Performance

The company faced various challenges during the year including volatile market conditions and climatic changes which impacted on the overall performance for the period. The crop production increased by 13.5% from 5.9 million kilos to 6.7 million kilos of made tea. The volumes of tea sold increased from 5.4 million kilos sold last year to 7.0 million kilos sold this year, an equivalent of 29.6%. The turnover on the other hand increased by 27.4% to Sh 1.45 billion compared to Sh 1.13 billion reported last year. However, the average tea prices declined from Sh 209 per kilo of made tea fetched last year to Sh 206 per kilo of made tea realised this year. The company recorded a total profit for the year of Sh 7.065 million compared to Sh 19.4 million reported in the previous year.

Principal risks and 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 company is exposed to include:

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

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

- Operational risks mainly include both internal and external factors that affect the company 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 which affect the investment decisions of the company, different levels of governance structures which affect the state of the infrastructure among others impact the operations of the company.

- Environmental and social sustainability risks which require development of policies and practices that promote co-existence of the company with both internal and external stakeholders. The company 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.

REPORT OF THE DIRECTORS (Continued)

BUSINESS REVIEW (Continued)

Principal risks and uncertainties (Continued)

In March 2020, the World Health Organization (WHO) officially declared the recent global outbreak of a novel strain of COVID-19 Coronavirus as a pandemic. This health hazard has resulted in significant governmental measures and caused disruption to the financial markets and global economy however this has not significantly affected the tea industry.

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 company. 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 9 and of Corporate Governance Statement on pages 10 to 13.

DIVIDENDS

The directors recommend that a first and final dividend of Sh 10 per share (2020 – Sh 10), totalling Sh 78,240,000 (2020 – Sh 78,240,000) be paid to owners of the company. The final dividend is subject to approval by the shareholders of the company at the next Annual General Meeting.

TEA CROP

The following are comparative tea production statistics:

Year ended 31 March	Kapchorua estate Kgs'000	Bought leaf Kgs'000	Total Kgs'000
2021	1,932	4,814	6,746
2020	1,819	4,087	5,906
2019	2,070	3,730	5,800
2018	2,095	3,654	5,749
2017	1,709	3,741	5,450
2016	2,196	3,873	6,069
2015	2,122	3,331	5,453
2014	2,259	3,445	5,704
2013	2,288	3,915	6,203
2012	2,109	3,758	5,867
2011	2,131	3,891	6,022
2010	2,032	4,027	6,059
2009	1,666	3,544	5,210
2008	1,361	2,738	4,099
2007	1,929	3,077	5,006

The estimated tea production for the year to 31 March 2022 is 5,696,700 kilograms which includes 3,761,800 kilograms from out growers.

PLANTED AREA

The planted area under tea as at year end was as follows:

	31 March 2021 Hectares	31 March 2020 Hectares
Mature	560	564
Immature	78	55
	638	619

REPORT OF THE DIRECTORS (Continued)

DIRECTORS

The directors who held office at the date of this report are shown on page 3.

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 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 company's auditors are aware of that information.

SECRETARY

Gilbert K Masaki continues as the company secretary.

MANAGEMENT

Mr Ronald Ngala is the General Manager of the Kapchorua Farm.

AUDITORS

Deloitte & Touche, having expressed their willingness, continue in office in accordance 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

GILBERT K MASAKI
SECRETARY

Nairobi, Kenya
29th June 2021

DIRECTORS' REMUNERATION REPORT

The directors' remuneration report sets out the remuneration arrangements for the directors of Kapchorua Tea Kenya Plc for the year ended 31 March 2021.

Remuneration policy for Executive and Non-Executive Directors

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 are 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.

Director's remuneration paid during the year

	Fees Sh'000	Sitting allowance Sh'000	Total Sh'000
Non - executive directors			
31 March 2021			
Philip Magor	4,264	173	4,437
Edward Magor	4,265	230	4,495
Mathew Koech	720	202	922
E N K Wanjama	1,080	202	1,282
JP Brooks	720	230	950
Total	11,049	1,037	12,086
31 March 2020			
Philip Magor	3,922	86	4,008
Edward Magor	3,962	86	4,048
Mathew Koech	720	230	950
E N K Wanjama	1,080	144	1,224
JP Brooks	720	202	922
Total	10,404	748	11,152

During the year, the company also paid directors fees of Sh 305,856 to Williamson Tea Kenya Plc relating to the executive directors. Accordingly, the total directors' remuneration for the year was Sh 12,392,000 (2020: Sh 11,152,000)

Executive directors

Executive directors' remuneration is paid by Williamson Tea Kenya Plc, a shareholder of the company which has 39.56% shareholding in Kapchorua Tea Kenya Plc. Williamson Tea Kenya Plc in turn recharges Kapchorua commission calculated as a percentage of revenue to recover these and other costs.

KAPCHORUA TEA KENYA PLC

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.

BY ORDER OF THE BOARD

E N K WANJAMA
CHAIRMAN

29th June 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

(i) designing, implementing and maintaining such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error;

(ii) selecting suitable accounting policies and applying them consistently; and

(iii) making accounting estimates and judgements that are reasonable in the circumstances.

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

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

Approved by the board of directors on 29th June 2021 and signed on its behalf by:

E N K Wanjama	A L Carmichael
Chairman	Managing Director

Deloitte.

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Kapchorua Tea Kenya Plc ("the Company"), set out on pages 24 to 62, which comprise the statement of financial position as at 31 March 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement 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 accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2021 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the Kenyan Companies Act, 2015.

Basis for Opinion

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

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

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

Key Audit Matter

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

The key audit matter described below was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and therefore, we do not provide a separate opinion on this matter.

Report on the Audit of the Financial Statements (continued)

Key Audit Matter (continued)

Key Audit Matter	How Our Audit Addressed the Key Audit Matter
Valuation and measurement of biological assets The measurement of biological assets at the end of year involves significant judgements and estimates by the directors, which could have material impact on the financial position and the results of the company. At the end of year, the carrying value of the biological assets amounted to Sh 197,962,000 as disclosed in note 14 (a) of the financial statements. As disclosed in note 14(a) in the financial statements, biological assets comprise trees for timber and fuel, which are measured at fair value less costs to sell. The fair value models accrue the additional value related to the biological asset as biological transformation takes place rather than at the time of harvest. As disclosed in note 2(ii) 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 involve significant judgment. Refer to note 1 for the accounting policy on biological assets; note 2(ii) for the significant estimates used in determining the fair values of the biological assets; and note 14(a) for the disclosure on biological assets.	We focused our attention on the significant assumptions, estimates and key judgments made by directors by performing the following procedures: • We tested the design, implementation and operating effectiveness of controls over the review of the fair value model. • We assessed the competence and objectivity of the company'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 performed an analysis of the significant assumptions made in the valuation model and tested them against available market information. We subjected the key assumptions to sensitivity analysis. • We assessed the reasonableness of the assumptions used in deriving the expected yield, the future market prices and cost to sell. • In addition, we tested a selection of data inputs used against director's financial and operational information and external sources, to assess the accuracy, reliability and completeness thereof. • We verified the consistency of application of the fair value approaches and models over the years. • We evaluated the sufficiency and accuracy of the disclosures in the notes to the financial statements. • We also validated the underlying data in respect of forest acreage and age of plantations used by the valuer to the directors' operational independent information, including comparison with historical trends We found 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 which comprises the Notice of the Annual General Meeting, Corporate Information, Financial Highlights, Chairman's statement, Corporate Governance statement, Report of the Directors, Statement of Directors' Responsibilities and Directors' Remuneration Report, which we obtained prior to the date of this auditor's report. The other information does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Report on the Audit of the Financial Statements (continued)

Responsibilities of Directors and those charged with governance for the financial statements

The directors are responsible for the preparation of the 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 controls as directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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 company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 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 company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Report on the Audit of the Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

From the matters communicated with the Governance and Audit Committee, we determine those matters that were of most significance in the audit of the 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 Kenyan Companies Act, 2015

Report of the directors

In our opinion, the information given in the Report of the Directors on pages 14 - 16 is consistent with the financial statements.

Directors' remuneration report

In our opinion, the auditable part of the directors' remuneration report on page 17 - 18 has been properly prepared in accordance with the Kenyan Companies Act, 2015.

The engagement partner responsible for the audit resulting in this independent auditor's report is
CPA Fred Aloo, Practicing Certificate No. 1537.

For and on behalf of Deloitte & Touche LLP
Certified Public Accountants
Nairobi, Kenya

29 June **2021**

KAPCHORUA TEA KENYA PLC

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2021

	Note	2021 Sh'000	2020 Sh'000
REVENUE	3	1,445,640	1,134,302
GAINS/(LOSSES) ARISING FROM CHANGES IN FAIR VALUE OF BIOLOGICAL ASSETS			
– TIMBER TREES	14(a)	15,531	(2,493)
– FUEL TREES	14(a)	298	14,838
– UNHARVESTED GREEN LEAF		5,201	9,456
OPERATING INCOME		1,466,670	1,156,103
COST OF SALES		(1,364,662)	(1,101,040)
GROSS PROFIT		102,008	55,063
OTHER INCOME		5,497	4,511
INTEREST INCOME	6(a)	13,599	29,396
FINANCE COSTS	6(b)	(143)	(691)
DISTRIBUTION COSTS		(78,931)	(58,336)
ADMINISTRATIVE EXPENSES		(18,302)	(20,502)
NET FOREIGN EXCHANGE GAINS		10,386	1,883
PROFIT BEFORE TAXATION	4	34,114	11,324
TAXATION (CHARGE)/CREDIT	7(a)	(27,049)	8,113
PROFIT FOR THE YEAR		7,065	19,437
OTHER COMPREHENSIVE INCOME			
Items that may not be reclassified subsequently to profit or loss;			
Gain on revaluation of property and equipment		210,848	-
Deferred tax on revaluation surplus		(63,254)	-
(Increase)/decrease in opening deferred tax liability on revaluation surplus arising from change in tax rate	20	(17,049)	17,980
TOTAL OTHER COMPREHENSIVE INCOME		130,545	17,980
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		137,610	37,417
EARNINGS PER SHARE - basic and diluted (Sh)	8	0.90	2.48

KAPCHORUA TEA KENYA PLC

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2021

	Note	31 March 2021 Sh'000	31 March 2020 Sh'000
ASSETS			
Non -current assets			
Property, plant and equipment	10	991,564	829,983
Right of use assets	11	19,794	19,821
Intangible assets	12	42	139
Unquoted investment	13	717	717
Biological assets – Timber and fuel trees	14(a)	197,962	215,614
		1,210,079	1,066,274
Current assets			
Unharvested green leaf	14(b)	15,552	10,351
Inventories	15	219,073	259,994
Trade and other receivables	16	176,412	206,526
Due from related companies	17	871	5,398
Corporate tax recoverable	7(c)	1,557	40,659
Short term bank deposits	18	307,210	296,517
Cash and bank balances	23(b)	150,951	56,283
		871,626	875,728
Total assets		2,081,705	1,942,002
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	19	39,120	39,120
Revaluation surplus		374,936	255,729
Retained earnings		1,072,205	1,132,042
Shareholders' funds		1,486,261	1,426,891
Non-current liabilities			
Deferred taxation	20	268,738	201,638
Provision for service gratuity	21	140,767	132,525
		409,505	334,163
Current liabilities			
Dividends payable	9(b)	3,642	2,418
Due to a related company	17	32,876	18,311
Trade and other payables	22	149,421	160,219
		185,939	180,948
Total equity and liabilities		2,081,705	1,942,002

The financial statements on pages 24 to 62 were approved and authorised for issue by the Board of Directors on 29th June 2021 and were signed on its behalf by:

E N K Wanjama
Chairman

A L Carmichael
Managing Director

KAPCHORUA TEA KENYA PLC

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2021

	Note	Share capital Sh'000	Revaluation surplus Sh'000	Retained Earnings* Sh'000	Total Sh'000
At 1 April 2019		39,120	251,758	1,176,836	1,467,714
Profit for the year		-	-	19,437	19,437
Decrease in opening deferred tax liability on revaluation surplus arising from change in tax rate	20	-	17,980	-	17,980
Transfer of excess depreciation		-	(18,681)	18,681	-
Deferred tax on excess depreciation		-	4,672	(4,672)	-
Dividend declared – 2019	9(b)	-	-	(78,240)	(78,240)
At 31 March 2020		39,120	255,729	1,132,042	1,426,891
At 1 April 2020		39,120	255,729	1,132,042	1,426,891
Profit for the year		-	-	7,065	7,065
Gain on revaluation of property and equipment		-	210,848	-	210,848
Deferred tax on revaluation surplus		-	(63,254)	-	(63,254)
Increase in opening deferred tax liability on revaluation surplus arising from change in tax rate	20	-	(17,049)	-	(17,049)
Transfer of excess depreciation		-	(16,197)	16,197	-
Deferred tax on excess depreciation		-	4,859	(4,859)	-
Dividend declared – 2020	9(b)	-	-	(78,240)	(78,240)
At 31 March 2021		39,120	374,936	1,072,205	1,486,261

The revaluation surplus arises from revaluation of property, plant and equipment and is not distributable.

*As disclosed under Note 1, the Statement of Changes in Equity has been updated to present retained earnings as a single consolidated figure. The presentation previously included a split of the retained earnings between the portion related to fair value changes in biological assets and the portion related to other operating activities. The split is not required under IFRS.

KAPCHORUA TEA KENYA PLC

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2021

	Note	2021 Sh'000	2020 Sh'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net cash generated from/ (used in) operations	23(a)	241,148	(32,391)
Interest received	6(a)	13,599	29,396
Interest paid	6(b)	(143)	(691)
Taxation paid	7(c)	(1,150)	(5,428)
Net cash generated from/ (used in) operating activities		253,454	(9,114)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	10	(66,734)	(42,452)
Dividends received		-	684
Expenditure on biological assets	14(a)	(4,343)	(4,070)
Net cash used in investing activities		(71,077)	(45,838)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	9(b)	(77,016)	(77,346)
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		105,361	(132,298)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		352,800	485,098
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	23(b)	458,161	352,800

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB), and in the manner required by the Kenyan Companies Act, 2015.

For the Kenyan Companies Act reporting purposes, in these financial statements, the balance sheet is represented by/is equivalent to the statement of financial position and the profit and loss account is presented in the statement of profit or loss and other comprehensive income.

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

(i) Relevant new standards and amendments to published standards effective for the year ended 31 March 2021

Impact of the initial application of Interest Rate Benchmark Reform amendments to IFRS 9 and IFRS 7.

In September 2019, the IASB issued *Interest Rate Benchmark Reform* (*Amendments to IFRS 9, IAS 39 and IFRS 7*). These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms.

The amendments are irrelevant to the Company in the current financial (annual) period given that it did not hold benchmark interest rate exposures with respect to hedges. Although the Company is exposed to interest rate risk because the Company may borrow and place funds at both fixed and floating interest rates, the risk is not managed by use of hedging activities.

The amendments also introduce new disclosure requirements to IFRS 7 for hedging relationships that are subject to the exceptions introduced by the amendments to IFRS 9. The new disclosure requirements are not applicable to the Company for the financial year just ended.

Impact of the initial application of *Covid-19-Related Rent Concessions* Amendment to IFRS 16

In May 2020, the IASB issued *Covid-19-Related Rent Concessions* (*Amendment to IFRS 16*) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
b) Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and
c) There is no substantive change to other terms and conditions of the lease.

In the current financial year, the Company has not applied the amendment to IFRS 16 (as issued by the IASB in May 2020) in advance of its effective date – 1 June 2020.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(i) Relevant new standards and amendments to published standards effective for the year ended 31 March 2021 (continued)

Impact of the initial application of other new and amended IFRS Standards that are effective for the current year

In the current year, the Company has applied the below amendments to IFRS Standards and Interpretations issued by the Board that are effective for an annual period that begins on or after 1 January 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to References to the Conceptual framework	The Company has adopted the amendments included in Amendments to References Conceptual Framework in IFRS to the Conceptual Framework in IFRS Standards for the first time in the current Standards year. The amendments include consequential amendments to affected Standards so that they refer to the new Framework. 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 Standards which are amended are IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.
Amendments to IFRS 3 Definition of a business	The Company has adopted the amendments to IFRS 3 for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets t The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance 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. The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after 1 January 2020.
Amendments to IAS 1 and IAS 8	The Company has adopted the amendments to IAS 1 and IAS 8 for the first time Definition of material in the current year. The amendments 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(ii) New and revised IFRS Standards in issue but not yet effective for the year ended 31 March 2021 (continued)

At the date of authorization 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:

New and amendments to Standards	**Effective date on annual periods beginning on or after**
IFRS 17: *Insurance Contracts*	1 January 2023
IFRS 10 and IAS 28 (amendments): *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	1 January 2023, with early application permitted.
Amendments to IAS 1: *Classification of Liabilities as Current or Non-current*	One year deferral to1 January 2023
Amendments to IFRS 3: *Reference to the Conceptual Framework*	1 January 2022, with early application permitted.
Amendments to IAS 16: *Property, Plant and Equipment—Proceeds before Intended Use*	1 January 2022, with early application permitted.
Amendments to IAS 37: *Onerous Contracts – Cost of Fulfilling a Contract*	1 January 2022, with early application permitted.
Annual Improvements to IFRS Standards 2018-2020 Cycle: *Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture*	1 January 2022, with early 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:

IFRS 17 *Insurance Contracts*

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 *Insurance Contracts*.

IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

In June 2020, the IASB issued *Amendments to IFRS 17* to address concerns and implementation challenges that were identified after IFRS 17 was published. The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023.

IFRS 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

For the purpose of the transition requirements, the date of initial application is the start if the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(ii) New and revised IFRS Standards in issue but not yet effective for the year ended 31 March 2021 (continued)

Amendments to IFRS 10 and IAS 28 – ***Sale or Contribution of Assets between an Investor and its Associate or Joint Venture***

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the **loss of control of a subsidiary** that **does not contain a business** in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the **remeasurement** of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the **unrelated investors'** interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the Board; however, earlier application of the amendments is permitted. The Directors of the Company anticipate that the application of these amendments may have an impact on the Company's financial statements in future periods should such transactions arise.

Amendments to IAS 1 – ***Classification of Liabilities as Current or Non-current***

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is **based on rights that are in existence at the end** of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a **definition of 'settlement'** to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

The Directors of the Company are currently assessing the impact of these amendments and plan to adopt the amendments on the required effective date if necessary.

Amendments to IFRS 3 – ***Reference to the Conceptual Framework***

The amendments update IFRS 3 so that it refers to the 2018 Conceptual *Framework* instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated *Conceptual Framework*) at the same time or earlier.

The Directors of the Company are currently assessing the impact of these amendments and plan to adopt the amendments on the required effective date if necessary.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(ii) New and revised IFRS Standards in issue but not yet effective for the year ended 31 March 2021 (continued)

Amendments to IAS 16 – *Property, Plant and Equipment—Proceeds before Intended Use*

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 *Inventories*.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

The Directors of the Company are currently assessing the impact of these amendments and plan to adopt the amendments on the required effective date if necessary.

Amendments to IAS 37 – *Onerous Contracts—Cost of Fulfilling a Contract*

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

The Directors of the Company are currently assessing the impact of these amendments and plan to adopt the amendments on the required effective date if necessary.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(ii) New and revised IFRS Standards in issue but not yet effective for the year ended 31 March 2021 (continued)

Annual Improvements to IFRS Standards 2018–2020

The *Annual Improvements* include amendments to four Standards:

IFRS 1 *First-time Adoption of International Financial Reporting Standards*

The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16 (a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1:D16 (a).

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

IFRS 9 *Financial Instruments*

The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

IFRS 16 *Leases*

The amendment removes the illustration of the reimbursement of leasehold improvements. As the amendment to IFRS 16 only regards an illustrative example, no effective date is stated.

IAS 41 *Agriculture*

The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in IAS 41 with the requirements of IFRS 13 *Fair Value Measurement* to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pre- tax or post-tax cash flows and discount rates for the most appropriate fair value measurement.

The amendment is applied prospectively, i.e. for fair value measurements on or after the date an entity initially applies the amendment.

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

The Directors of the Company are currently assessing the impact of these amendments and plan to adopt the amendments on the required effective date if necessary.

iii) Early adoption of standards

The Company did not early-adopt any new or amended standards in the year ended 31 March 2021.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Preparation

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

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

Revenue recognition

The Company recognises revenue mainly from sale of tea to the export, auction and local markets. Revenue is shown net of value added tax (VAT), returns and discounts.

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

For the sale of 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 Company'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. Cost comprises 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 (produce growing on tea bushes, 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 in the statement of 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 10). However, the produce growing on these tea bushes is accounted for as biological assets at the point of harvest. Harvested produce is transferred to inventory at fair value less costs to sell when harvested.

The produce growing 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.

Immature trees, where cost approximate fair value, are valued at cost.

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. The amortisation charge has been included as part of cost of sales. Amortization periods and methods of amortization are reviewed at each reporting date. The average remaining amortisation period is one year.

1 SUMMARY OF SIGNIFICANT 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 company's policy of revaluing certain items of property, plant and equipment after every three years.

The basis of valuation for buildings, machinery and equipment is depreciated replacement cost basis.

Any revaluation increase arising on the revaluation is recognised 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.

Depreciation

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 effect of any changes in estimate accounted for on a prospective basis.

Land is not depreciated. Capital work in progress is not depreciated until the asset is brought into use.

The annual rates generally in use are:

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

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

Depreciation on revalued building and machinery and equipment is recognised in profit or loss. On subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to accumulated surplus.

Each year the difference between depreciation based on the revalued carrying amount of an asset (the depreciation charged through profit or loss) and depreciation based on the asset's original cost is transferred from the revaluation surplus to retained earnings.

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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

(a) The Company as lessee

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company 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. For these leases, the Company 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 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 Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

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 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 Company remeasures 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 significant event or change in circumstances resulting in 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 an unchanged discount rate (unless the lease payments change is due to a change in a 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 based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

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

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

(a) The Company as lessee (Continued)

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 Company 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 Company 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 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 line "Other expenses" in profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient. For a contracts that contain a lease component and one or more additional lease or non lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

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

(ii) Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefit costs

(i) Company defined contribution retirement benefit scheme

The company participates in a defined contribution scheme for eligible non-unionisable employees operated by Williamson Tea Kenya Limited for its employees. The assets of the scheme are held in a separate trustee administered fund. The scheme is funded from contributions from both the company and employees. The company'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 company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Fund Act. The company's obligations under the scheme are limited to specific contributions legislated from time to time, currently Sh 200 per employee per month. The company's contributions are charged to profit or loss in the year to 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 accrued at the end of the reporting period.

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 with the company are entitled to twenty one days pay for each completed year of service by way of gratuity, based on the wages or salary at the time of such resignation or termination of services, as provided for in the trade union agreement with the company. An employee who is dismissed or terminated for gross misconduct is not entitled to gratuity. The service gratuity is provided for in the financial statements based on the present value of benefits payable as they accrue to each employee.

Impairment of tangible and intangible assets

At the end of each reporting period, the company 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 company 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 in which case the impairment loss is treated as a revaluation decrease. 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.

Foreign currencies

Monetary assets and liabilities expressed in foreign currencies are translated into Kenya Shillings at the rates of exchange ruling at the end of the reporting period. Transactions during the year are translated at the rates ruling at the dates of the transactions. Gains and losses on exchange are dealt with through profit or loss.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments

Financial assets and financial liabilities are recognised in the company's statement of financial position when the company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial instruments

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost;

- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI); and

- all other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the company may make the following irrevocable election/designation at initial recognition of a financial asset:

- the company may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination in other comprehensive income; and

- the company may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Impairment of financial assets

The company recognises a loss allowance for expected credit losses on trade receivables, short term deposits and bank balances. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The company always recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (continued)

Financial assets (continued)

Impairment of financial assets (Continued)

For all other financial instruments, the company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

(ii) Definition of default

The company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the company, in full (without taking into account any collateral held by the company).

Irrespective of the above analysis, the company considers that default has occurred when a financial asset is more than 90 days past due unless the company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

The company write-offs debt only when there objective evidence that the debt will not be recovered and after it has exhausted its collection avenues.

(iii) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above.

As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the company in accordance with the contract and all the cash flows that the company expects to receive, discounted at the original effective interest rate.

The company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities and equity instruments

Financial liabilities

Financial liabilities are classified as other financial liabilities. Other financial liabilities (including borrowings) are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Recognition and measurement

After initial recognition, all financial liabilities other than liabilities held for trading are measured at amortised cost. Liabilities held for trading (financial liabilities acquired principally for the purpose of generating a profit from short-term fluctuations in price or dealer's margin) are subsequently measured at their fair values.

Trade payables

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

Derecognition

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 and 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.

Unquoted equity investments

All equity investments in scope of IFRS 9 are to be measured at fair value in the statement of financial position, with value changes recognised in profit or loss, except for those equity investments for which the entity has elected to present value changes in 'other comprehensive income.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and deposits held with banks.

Dividends

Dividends on ordinary shares are charged directly to equity in the period in which they are declared. Dividend distributions to the company's shareholders are recognised as a liability in the financial statements in the year in which the dividends are approved by the shareholders.

Comparatives

Comparative figures have been adjusted to conform to changes in the current year to achieve a more relevant presentation. Specifically, the Statement of Changes in Equity has been updated to present retained earnings as a single consolidated figure. The presentation previously included a split of the retained earnings between the portion related to fair value changes in biological assets and the portion related to other operating activities. The split is not required under IFRS.

2 CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

These are dealt with below:

(i) Critical judgements in applying the company's accounting policies

Calculation of Expected Credit loss allowance

When measuring expected credit losses (ECL), the company uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the company would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

(ii) Key sources of estimation uncertainty

Biological assets

The most significant assumptions and estimates include use of 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. In determining the fair value of biological assets, the company uses the present value of expected cash flows from the asset discounted at the current market determined pre tax rate. The objective of a calcuiation of the present value of expected net cash flows is to determine the fair value of a biological asset in its present location and condition. The company considers this in determining an appropriate discount rate to be used and in estimating expected net cash flows. The directors use estimates based on historical data relating to yields, prices of made tea and exchange rates. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between estimates and actual experience.

Property, plant and equipment and intangible assets

Critical estimates are made by the directors in determining the useful lives and residual values of 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. The company holds freehold titles and 999 year land leases. The directors are awaiting Government confirmation on the commencement dates for the 99 year leases.

The Financial Statements have been prepared on the basis of land leases being 99 years from August 2010.

3 ANALYSIS OF REVENUE

	2021 Sh'000	2020 Sh'000
a) This information is based on the principal activity of the company:		
Tea sales (note3 (b))	1,445,640	1,134,302
b) The company's tea sales revenue is derived from the following markets:		
Global markets - exports	947,791	729,646
Kenya	497,849	404,656
	1,445,640	1,134,302

4 PROFIT BEFORE TAXATION

	2021 Sh'000	2020 Sh'000
The profit before taxation is arrived at after charging/(crediting):		
Staff costs (note 5)	215,716	195,231
Depreciation of property, plant and equipment (note 10)	102,808	114,475
Right of use assets amortisation (note 11)	27	24
Amortisation of intangible assets (note 12)	97	362
Directors' emoluments:		
- Fees and allowances	12,392	11,152
Auditors' remuneration	1,708	1,708
Dividend received	-	(684)
Loss on disposal of plant and equipment	13,193	17,368

5 STAFF COSTS

Wages and salaries	177,856	162,527
Social security costs (NSSF)	1,438	1,458
Pension costs (defined contribution plan)	1,923	1,859
Service gratuity provision (note 21)	19,561	15,274
Leave pay accrual (note 22)	10,869	10,158
Medical	4,069	3,955
	215,716	195,231

The average number of employees during the period ended 31 March 2021 was 636 (2020: 664).

			2021 Sh'000	2020 Sh'000
6	(a)	INTEREST INCOME		
		Interest receivable	13,599	29,396
	(b)	FINANCE COSTS		
		Interest on bank overdrafts	143	691

7 TAXATION

		2021 Sh'000	2020 Sh'000
(a)	**Taxation charge/(credit)**		
	Current taxation based on the adjusted profit at 26.25%*(2020: 25%)	41,330	12,514
	Prior year (over)/under provision of current tax	(1,078)	1,040
		40,252	13,554
	Deferred taxation (note 20)		
	Credit for the year	(36,484)	(8,954)
	Increase/(decrease) in opening deferred tax lability arising from change tax rate	23,281	(24,138)
	Prior year under/(over) provision	-	11,425
		(13,203)	(21,667)
		27,049	(8,113)
(b)	**Reconciliation of expected tax based on accounting profit/(loss) to taxation credit**		
	Accounting profit/(loss) before taxation	34,114	11,324
	Tax at the applicable rate of 26.25%* (2020:25%)	8,955	2,831
	Tax effect of income not taxable		
	- Qualifying dividends	-	(171)
	- Other income not taxable	(407)	(388)
	Tax effect of expenses not deductible for tax purposes		
	- Depreciation on non-qualifying assets	146	260
	- Pension costs	383	378
	- Long service awards	173	286
	- Donations	104	263
	- Other permanent differences	54	101
	Prior year under/(over) provision – deferred taxation	-	11,425
	Prior year (over)/under provision of current tax	(1,078)	1,040
	Increase/(decrease) in opening deferred tax lability arising from change tax rate	23,281	(24,138)
	Tax effect of deferred tax computed at 30%	(4,562)	-
		27,049	(8,113)

*Tax for the current year has been computed using a composite rate of 26.25% to reflect the impact of changes in tax rate for the year; the tax applicable for the first nine months to 31 December 2020 was 25%. Effective 1 January 2021, the tax rate was increased to 30% following enactment of the Tax Laws (Amendment) (No. 2) Bill, 2020.

7 TAXATION (Continued)

(c) Corporate tax recoverable

	2021 Sh'000	2020 Sh'000
At beginning of year	(40,659)	(48,785)
Taxation paid	(1,150)	(5,428)
Profit or loss charge – current taxation	41,330	12,514
Prior year (over)/ under provision – current taxation	(1,078)	1,040
At end of year	(1,557)	(40,659)

8 EARNINGS PER SHARE

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

	2021 Sh'000	2020 Sh'000
Earnings		
Profit for the year	7,065	19,437
Weighted average number of ordinary shares (thousands)		
At start and end of year (note 19)	7,824	7,824
Earnings per share		
Basic and diluted (Sh)	0.90	2.48

There were no potentially dilutive shares outstanding at 31 March 2021 or 31 March 2020. Diluted earnings per share is therefore same as basic earnings per share.

9 DIVIDENDS

(a) Proposed dividends

The company did not pay an interim dividend in the year 2021 (2020: nil).

The directors recommend that a final dividend of Sh 10 per share (2020 – Sh 10 per share), totalling Sh 78,240,000 (2020 – Sh 78,240,000) be paid to owners of the company.

This dividend is subject to approval by shareholders at the Annual General Meeting to be held on 23 July 2021 and has therefore not been included as a liability in these financial statements. The dividends payable are subject to, where applicable, deduction of withholding tax as required under the Kenyan Income Tax Act, Chapter 470 Laws of Kenya.

(b) Dividends payable:

	2021 Sh'000	2020 Sh'000
At beginning of year	2,418	1,524
Final dividend declared	78,240	78,240
Dividends paid	(77,016)	(77,346)
At end of year	3,642	2,418

10 PROPERTY, PLANT AND EQUIPMENT

	Buildings Sh'000	Machinery & equipment Sh'000	Tractors & accessories Sh'000	Motor vehicles Sh'000	Office equipment furniture & fittings Sh'000	Computers Sh'000	Bearer plants Sh'000	Work in progress Sh'000	Total Sh'000
COST OR VALUATION									
At 1 April 2019	346,045	237,700	48,216	28,133	4,419	17,006	515,403	78,587	1,275,509
Additions	-	20,429	-	-	539	597	-	20,887	42,452
Disposals	(10,359)	(5,702)	(1,023)	-	-	-	(17,710)	-	(34,794)
Transfer from work in progress	5,817	-	-	-	142	-	17,392	(23,351)	-
At 31 March 2020	341,503	252,427	47,193	28,133	5,100	17,603	515,085	76,123	1,283,167
Comprising:									
At valuation – 2018	328,483	167,136	-	-	-	-	-	-	495,619
At cost	12,930	85,291	47,193	28,133	5,100	17,603	515,085	76,213	787,548
	341,413	252,427	47,193	28,133	5,100	17,603	515,085	76,213	1,283,167
At 1 April 2020	341,503	252,427	47,193	28,133	5,100	17,603	515,085	76,123	1,283,167
Additions	-	38,862	342	4,027	64	613	-	22,826	66,734
Disposals	(10,999)	(2,282)	-	-	-	-	(15,438)	-	(28,719)
Transfer from work in progress	-	1,609	-	-	-	-	17,489	(19,098)	-
Revaluation adjustment	58,981	(68,790)	-	-	-	-	-	-	(9,809)
At 31 March 2021	389,485	221,826	47,535	32,160	5,164	18,216	517,136	79,851	1,311,373
Comprising:									
At valuation – 2021	378,755	98,346	-	-	-	-	-	-	477,101
At cost	10,730	123,480	47,535	32,160	5,164	18,216	517,136	79,851	834,272
	389,485	221,826	47,535	32,160	5,164	18,216	517,136	79,851	1,311,373

10 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Buildings Sh'000	Machinery & equipment Sh'000	Tractors & 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 2019	74,215	36,936	44,498	21,338	2,946	14,708	161,494	-	356,135
Charge for the year	33,051	35,219	1,526	3,263	429	1,331	39,656	-	114,475
Disposals	(8,499)	(3,339)	(1,023)	-	-	-	(4,565)		(17,426)
At 31 March 2020	98,767	68,816	45,001	24,601	3,375	16,039	196,585	-	453,184
At 1 April 2020	98,767	68,816	45,001	24,601	3,375	16,039	196,585	-	453,184
Charge for the year	26,908	33,972	679	1,573	398	813	38,465	-	102,808
Disposals	(5,813)	(1,993)	-	-	-	-	(7,720)	-	(15,526)
Revaluation adjustment	(119,862)	(100,795)	-	-	-	-	-	-	(220,657)
At 31 March 2021	-	-	45,680	26,174	3,773	16,852	227,330	-	319,809
NET BOOK VALUE									
At 31 March 2021	389,485	221,826	1,855	5,986	1,391	1,364	289,806	79,851	991,564
At 31 March 2020	242,736	183,611	2,192	3,532	1,725	1,564	318,500	76,123	829,983
NET BOOK VALUE (Cost basis)									
At 31 March 2021	6,019	69,669	1,855	5,986	1,391	1,364	289,806	79,851	455,941
At 31 March 2020	10,064	75,311	2,192	3,532	1,725	1,565	318,500	76,123	489,012

Included in property, plant and equipment are assets with an original cost of Sh 117,506,484 (2020 - Sh 114,147,121) which are fully depreciated and whose notional depreciation charge for the year would have been Sh 15,004,480 (2020 - Sh 14,575,521). Buildings, machinery and equipment were last revalued as at 31 March 2021 by Knight Frank Valuers Limited, registered valuers and estate agents on depreciated replacement cost basis. There is a charge over property title LR number 11770 IR 21761 in the name of the Company as a security for its overdraft facilities.

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).

10 PROPERTY, PLANT AND EQUIPMENT (Continued)

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

The company's buildings and machinery and equipment are stated at their revalued amounts, being the fair values at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value measurements of the company's buildings and machinery & equipment as at 31 March 2021 was performed by Knight Frank Valuers Limited, registered and independent valuers. Knight Frank Valuers 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. The significant inputs included the estimated construction and purchase costs and other ancillary expenditures, and appropriate depreciation factors. A slight increase in the depreciation factor would result in a decrease in the fair value of the assets, and a slight increase in the estimated construction and purchase costs would result in an increase in the fair value of the assets, and vice versa.

IFRS 13 specifies a hierarchy of valuation techniques based on whether inputs used in the valuation techniques of financial instruments are observable or unobservable. Financial instruments are grouped into 3 levels based on the degree to which fair value data / input is observable.

i) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed debt and equity instruments traded mainly on the Nairobi Securities Exchange.

ii) Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as a price) or indirectly (i.e. derived from prices). Input data for this category is sourced mainly from Reuters and the Nairobi Securities Exchange.

iii) Level 3 fair value measurements are those derived from valuation techniques that include inputs that are not based on observable market data (unobservable inputs).

Details of the company's buildings and machinery and equipment and information about fair value hierarchy as at 31 March 2021 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 2021				
Buildings	-	-	389,485	389,485
Machinery and equipment	-	-	221,826	221,826
	-	-	611,311	611,311
31 March 2020				
Buildings	-	-	242,736	242,736
Machinery and equipment	-	-	183,611	183,611
	-	-	426,347	426,347

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

		2021 Sh'000	2020 Sh'000
11	**RIGHT OF USE ASSETS**		
	COST		
	At 1 April	21,957	-
	Reclassified from prepaid operating lease rentals	-	21,957
	At 31 March	21,957	21,957
	ACCUMULATED AMORTISATION		
	At 1 April	2,136	-
	Reclassified from prepaid operating lease rentals	-	2,112
	Charge for the year	27	24
	At 31 March	2,163	2,136
	NET BOOK VALUE		
	At end of year	19,794	19,821

The company's right of use assets relates to land held under leasehold tenure. The right of use assets are fully prepaid hence there are no corresponding lease liabilities.

The company'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 Company accrued for the amortisation charge of the operating leases over the 99 year lease period since 27th August 2010.

		2021 Sh'000	2020 Sh'000
12	**INTANGIBLE ASSETS – COMPUTER SOFTWARE**		
	COST		
	At beginning and end of year	5,241	5,241
	AMORTISATION		
	At beginning of year	5,102	4,740
	Charge for the year	97	362
	At end of year	5,199	5,102
	NET BOOK VALUE		
	At end of year	42	139
13	**UNQUOTED INVESTMENT**		
	503,930 shares of Sh 10 each in Kenya Tea Packers Limited	717	717

Kenya Tea Packers Limited (KETEPA) is the largest tea packaging company in Kenya. Kapchorua Tea Plc owns 1% shareholding in KETEPA.

The unquoted investment is carried at cost.

14 BIOLOGICAL ASSETS

(a) Non – current assets

	Timber trees Sh'000	Fuel trees Sh'000	Total Sh'000
Year ended 31 March 2020			
Carrying amount at beginning of year	140,650	79,697	220,347
Net expenditure during the year	477	3,593	4,070
	141,127	83,290	224,417
(Losses)/gains arising from changes in fair value attributable to physical changes	(2,493)	14,838	12,345
Decrease due to harvest for own use	(21,148)	-	(21,148)
Decrease due to sale	-	-	-
Carrying amount at end of year	117,486	98,128	215,614
Year ended 31 March 2021			
Carrying amount at beginning of year	117,486	98,128	215,614
Net expenditure during the year	608	3,735	4,343
	118,094	101,863	219,957
Gains arising from changes in fair value attributable to physical and price changes	15,531	298	15,829
Decrease due to harvest for own use	(28,652)	(9,172)	(37,824)
Decrease due to sale	-	-	-
Carrying amount at end of year	104,973	92,989	197,962

(b) Current assets

	2021 Sh 000	2020 Sh 000
Produce growing on tea bushes	15,552	10,351

14 BIOLOGICAL ASSETS (Continued)

(c) Significant assumptions

The fair value of biological assets is estimated using the market approach. The key significant assumptions made to determine the fair values of timber trees, fuel trees and produce growing on tea bushes are as set out below:

Timber and fuel trees assumptions

- Fuel (firewood) and timber selling prices are expected to remain relatively constant.
- A discount rate of 12% (2020: 13%) per annum is applied to discount the expected net cash flows arising from the asset.
- The maturity period of fuel (firewood) and timber trees is between 5 and 25 years depending on the species of the tree.
- Fuel (firewood) and timber costs to sell are expected to remain relatively constant.

Produce growing on tea bushes

- The company's average tea harvest cycle is 15 days. There is sufficient actual data immediately following the reporting date to be able to reliably estimate the agricultural produce at the reporting date.
- The harvest cycle is short enough (15 days) not to require discounting.
- The green leaf price that the company pays to its third party out-growers is a reasonable estimate of the price 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 produce growing on the tea bushes at the reporting date.

The fair value of biological assets is sensitive to these assumptions, the more significant of which are as follows:

- A 10% movement in the market price for trees would result in a Sh 24,702,000 (2020 – Sh 26,905,000) increase/decrease in the fair value of the timber and fuel trees.
- A 1 percentage point movement in the discount rate used in determining the expected net cash flows would result in a Sh. 6,828,000 (2020 – Sh. 7,438,000) increase//decrease in the fair value of the timber and fuel trees.

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

	Valuation technique	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Total Shs'000
Year ended 31 March 2021					
Timber and fuel trees	Market approach	-	-	197,962	197,962
Produce growing on tea bushes	Market approach	-	15,552	-	15,552
			15,552	197,962	213,514
Year ended 31 March 2020					
Timber and fuel trees	Market approach	-	-	215,614	215,614
Produce growing on tea bushes	Market approach	-	10,351	-	10,351
		-	10,351	215,614	225,965

Other qualitative and quantitative information

The total timber and fuel trees comprise of approximately 119 hectares (2020 – 118 hectares) of immature trees (less than 5 years old) and 295 hectares (2020 – 308 Hectares) of mature trees.

15 INVENTORIES

	2021 Sh'000	2020 Sh'000
Tea stocks	151,690	207,613
Firewood	15,243	16,497
	166,933	224,110
Consumables	68,821	47,066
Less: provision for slow moving inventory	(16,681)	(11,182)
	219,073	259,994

The cost of inventories recognised as an expense during the year was Sh 673,734,000 (2020 – Sh 465,521,000). The cost of inventories recognised as an expense includes Sh 5,499,000 (2020 – Sh 1,569,000) in respect of provisions for slow moving inventory.

16 TRADE AND OTHER RECEIVABLES

	2021 Sh'000	2020 Sh'000
Trade	110,407	151,098
VAT recoverable	50,025	41,894
Staff	9,902	10,949
Other	7,951	5,687
	178,285	209,628
Provision for expected credit losses	(1,873)	(3,102)
	176,412	206,526
Movement in provision for expected credit losses		
At 1 April	3,102	3,102
Decrease in provision during the year	(1,229)	-
At 31 March	1,873	3,102

The provision for expected credit losses relates to the other receivables. All trade receivables are with normal trading partners with no history of default. There has been no significant change in credit quality of these partners and the amounts are deemed fully recoverable. The fair values of the trade receivables approximate their carrying amounts largely due to the short term repayment periods.

17 RELATED COMPANY BALANCES

	2021	2020
Due from:		
Tinderet Tea Estates (1989) Limited	-	1,090
Kaimosi Tea Estates Limited	644	1,000
Williamson Power Limited	227	84
Williamson Fine Tea Limited	-	3,224
	871	5,398
Due to:		
Williamson Tea Kenya Plc	32,876	18,311

The related party balances are unsecured, interest free and have no fixed repayment periods. The above entities are related to Kapchorua Tea Kenya Plc by virtue of common shareholdings.

18 SHORT TERM BANK DEPOSITS – AT AMORTISED COST

	2021	2020
	Sh'000	Sh'000
Bank – term deposits	307,210	296,517

The short term bank deposits mature within 90 days. The effective interest rate on the short term deposits as at 31 March 2021 was 8.25% p.a (2020: 8.45%) p.a. The fair values of short term deposits approximates their carrying amounts largely due to the short term maturities of these instruments.

19 SHARE CAPITAL

	2021	2020
	Sh'000	Sh'000
Authorised, issued and fully paid:		
7,824,000 ordinary shares of Sh 5 each	39,120	39,120

20 DEFERRED TAXATION

Deferred income taxation is calculated on all temporary differences under the liability method using the enacted tax rate of 30% (2020: 25%). The net deferred income tax liability is attributable to the following items:

	2021	2020
	Sh'000	Sh'000
Deferred tax liabilities:		
Accelerated capital allowances	100,003	99,042
Revaluation surplus	160,687	85,243
Biological assets	64,054	56,491
Unrealised exchange gains	22	300
	324,766	241,076
Deferred tax assets:		
Provision for service gratuity	(42,230)	(33,132)
Leave pay accrual	(2,132)	(1,653)
Inventory provision	(5,004)	(2,796)
Provision for bad debts	(562)	(776)
Unrealised exchange losses	(261)	(101)
Accruals	(5,839)	(980)
	(56,028)	(39,438)
Net deferred tax liability	268,738	201,638

The movement on the deferred income tax account is as follows:

	2021	2020
At beginning of the year	201,638	241,285
Credit to profit or loss (note 7(a))	(36,484)	(8,954)
Prior year under provision (note 7(a))	-	11,425
Increase/(decrease) in opening deferred tax liability arising from change in tax rate through profit and loss(note 7(a))	23,281	(24,138)
Increase/(decrease) in opening deferred tax liability on revaluation surplus arising from change in tax rate through other comprehensive income (OCI)	17,049	(17,980)
Deferred tax on revaluation surplus	63,254	-
At end of year	268,738	201,638

		2021	2020
		Sh 000	Sh 000
21	PROVISION FOR SERVICE GRATUITY		
	At beginning of year	132,525	130,845
	Provision for the year (note 5)	19,561	15,274
	Payments made in the year	(11,319)	(13,594)
	At end of year	140,767	132,525
22	TRADE AND OTHER PAYABLES		
	Trade	13,621	30,959
	Accruals	38,947	27,854
	Other	59,050	56,393
	Out growers dues	30,697	38,402
	Leave days accrual	7,106	6,611
		149,421	160,219

23 NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of profit before taxation to net cash generated from/(used in) operations

	2021 Sh 000	2020 Sh 000
Profit before taxation	34,114	11,324
Adjustments for:		
Depreciation of property and equipment (note 10)	102,808	114,475
Right of use assets amortisation (note 11)	97	24
Amortisation of intangible assets (note 12)	27	362
Loss on disposal of property, plant and equipment	13,193	17,368
Fair value adjustments - biological assets (note 14 (a))	(15,829)	(12,345)
Movement in unharvested green leaf	(5,201)	(9,456)
Decrease due to own use - fire wood and fuel trees (note 14 (a))	37,824	21,148
Decrease due to sale - fire wood and fuel trees (note 14 (a))	-	-
Interest paid	143	691
Interest received	(13,599)	(29,396)
Dividend received	-	(684)
Operating profit before working capital changes	153,577	113,511
Working capital changes:		
Decrease/(increase) in inventories	40,921	(64,895)
Decrease/(increase) in trade and other receivables	30,114	(67,775)
(Decrease)/increase in trade and other payables	(10,798)	7,900
Increase in provision for service gratuity	8,242	1,680
Net movement in related company balances	19,092	(22,812)
Net cash generated from/ (used in) operations	241,148	(32,391)

(b) Analysis of balances of cash and cash equivalents

	2021 Sh 000	2020 Sh 000
Cash balances	6	113
Bank balances	150,945	56,170
Total cash and bank balances	150,951	56,283
Short term bank deposits (note 18)	307,210	296,517
	458,161	352,800

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.

24 RELATED PARTY TRANSACTIONS

The company is related to Williamson Power Limited, Kaimosi Tea Estates Limited and Williamson Fine Tea Limited by virtue of common shareholding. Williamson Tea Kenya Plc is a shareholder in the company. George Williamson & Co Limited is the ultimate holding company as disclosed in note 32.

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

24 RELATED PARTY TRANSACTIONS (Continued)

	2021 Sh'000	2020 Sh'000
Purchase of goods/services:		
Royalties and licences - George Williamson & Co Limited	54,956	31,327
Service and purchase of generator - Williamson Power Limited	58,434	45,317
Central charges - Williamson Tea Kenya Plc	1,734	1,695
Green leaf purchases - Kaimosi Tea Estates Limited	-	3,421
Firewood purchase – Tinderet Tea Estates (1989) Limited	-	1,409
ATH spares and machines - Williamson Tea Kenya Plc	38,890	34,821
Tea purchases - Williamson Fine Tea Limited	8,520	13,808

Amounts not settled as at the end of the reporting period are disclosed in note 17.

Compensation of directors and key management personnel

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

	2021 Sh'000	2020 Sh'000
Directors' emoluments		
Non -executive directors	12,086	11,152
Executive director (Williamson Tea Kenya Plc)	306	-
	12,392	11,152
Key management remuneration		
Salaries and other benefits	14,482	14,482

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

	2021 Sh'000	2020 Sh'000
25 CONTINGENT LIABILITIES		
Bank guarantees - ABSA Bank of Kenya Plc	6,650	6,650

The bank guarantees are issued by ABSA Bank of Kenya Plc in regard to Kenya Power and Electricity Company (KPLC).

26 CAPITAL COMMITMENTS

Authorised and contracted for	37,002	31,006
Authorised but not contracted for	15,501	4,756
	52,503	35,762

The capital commitments relate to the company's capital budget for 2021. The company intends to finance these commitments from internally generated funds, asset financing from the bank and loans from related companies.

27 CAPITAL MANAGEMENT

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 company consists of cash and cash equivalents and equity attributable to equity holders, comprising issued capital, revaluation surplus and revenue reserves.

Consistent with others in the industry, the company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. The company did not have any debt outstanding as at 31 March 2021.

	2021 Sh'000	2020 Sh'000
Share capital	39,120	39,120
Revaluation surplus	374,936	255,729
Retained earnings	1,072,205	1,132,042
Equity	1,486,261	1,426,891
Cash and cash equivalents (note 23(b))	458,161	352,800
Gearing ratio	N/A	N/A

The company had no borrowings as at year end (2020: Sh nil).

28 FINANCIAL RISK MANAGEMENT

The company'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 company'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 directors. Finance department identifies, evaluates and hedges financial risks. The directors provides written principles for overall risk management, as well as written policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments and investing excess liquidity.

The company has exposure to the following risks due to its use of financial instruments:

- credit risk
- liquidity risk
- market risk

Credit risk

Credit risk is managed on a company-wide basis. Credit risk arises from bank balances, deposits with banks, as well as trade and other receivables.

The company has policies in place to ensure that services are provided to customers with an appropriate credit history. All clients are vetted by management during the pitching process.

The company establishes an allowance for impairment that represents its estimate of expected losses in respect of bank balances and trade receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics and forward looking information for similar financial assets.

28 FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (continued)

The amount that best represents the company's maximum exposure to credit risk as at 31 March 2021 is made up as follows:

31 March 2021

	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		Performing	Lifetime ECL (simplified approach)	118,358	(1,873)	116,485
Staff receivables	16	Performing	Lifetime ECL (simplified approach)	9,902	-	9,902
Due from related companies	17	Performing	Lifetime ECL (simplified approach)	871	-	871
Short term deposits	18	BB	12 months ECL	307,210	-	307,210
Bank balances	23 (b)	BB	12 months ECL	150,945	-	150,945
				587,286	(1,873)	585,413

31 March 2020

	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		Performing	Lifetime ECL (simplified approach)	156,785	(3,102)	153,683
Staff receivables	16	Performing	Lifetime ECL (simplified approach)	10,949	-	10,949
Due from related parties	17	Performing	Lifetime ECL (simplified approach)	5,398	-	5,398
Short term deposits	18	BB	12 months ECL	296,517	-	296,517
Bank balances	23 (b)	BB	12 months ECL	56,170	-	56,170
				525,819	(3,102)	522,717

Bank balances

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

Trade receivables

For trade receivables, the company has applied the simplified approach in the IFRS 9 to measure the loss allowance.

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 2021 and 31 March 2020 was determined as follows for trade and other receivables:

28 FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (continued)

Trade receivables (continued)

Trade and other receivables – days past due							
31 March 2021	**Not Due**	**< 30**	**31 – 60**	**61 - 90**	**91 - 120**	**> 120**	**Total**
Gross carrying amount - Trade receivables (Sh)	70,978	17,441	16,521	5,467	-	-	110,407
Gross carrying amount –Other receivables (Sh)	6,078	-	-	-	-	1,873	7,951
Expected credit Loss allowance (Sh)	-	-	-	-	-	(1,873)	(1,873)
Net amount	77,056	17,441	16,521	5,467	-	-	116,485

Trade and other receivables – days past due							
31 March 2020	**Not Due**	**< 30**	**31 – 60**	**61 - 90**	**91 - 120**	**> 120**	**Total**
Gross carrying amount - Trade receivables (Sh)	147,519	3,579	-	-	-	-	151,098
Gross carrying amount –Other receivables (Sh)	2,585	-	-	-	-	3,102	5,687
Expected credit Loss allowance (Sh)	-	-	-	-	-	(3,102)	(3,102)
Net amount	150,104	3,579	-	-	-	-	153,683

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. The loss allowance as at 31 March 2021 and 31 March 2020 was determined as follows for staff receivables:

31 March 2021	**Not Due**	**< 30**	**31 – 60**	**61 - 90**	**91 - 120**	**> 120**	**Total**
Gross carrying amount - Trade receivables (Sh)	1,207	427	152	131	348	7,637	9,902
Expected credit Loss allowance (Sh)	-	-	-	-	-	-	-
Net amount	1,207	427	152	131	348	7,637	9,902

31 March 2020	**Not Due**	**< 30**	**31 – 60**	**61 - 90**	**91 - 120**	**> 120**	**Total**
Gross carrying amount - Trade receivables (Sh)	2,696	152	152	152	152	7,645	10,949
Expected credit Loss allowance (Sh)	-	-	-	-	-	-	-
Net amount	2,696	152	152	152	152	7,645	10,949

28 FINANCIAL RISK MANAGEMENT (Continued)

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 company 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 company'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 1 month Sh'000	1-3 months Sh'000	3-12 months Sh'000	1-5 years Sh'000	Total Sh'000
At 31 March 2021					
Trade payables	13,621	-	-	-	13,621
Due to a related company	32,876	-	-	-	32,876
Total financial liabilities	46,497	-	-	-	46,497
At 31 March 2020					
Trade payables	30,959	-	-	-	30,959
Due to a related company	18,311	-	-	-	18,311
Total financial liabilities	49,270	-	-	-	49,270

Market risk

(i) Foreign exchange risk

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

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

	USD Sh'000	GBP Sh'000	EURO Sh'000	Total Sh'000
2021				
Assets				
Bank and cash balances	93,034	9,403	-	102,437
Short term deposits	42,979	-	-	42,979
Trade receivables	110,407	-	-	110,407
	246,420	9,403	-	255,823

28 FINANCIAL RISK MANAGEMENT (Continued)

Market risk (continued)

(i) Foreign exchange risk (continued)

	USD Sh'000	GB Sh'000	EURO Sh'000	Total Sh'000
2020				
Assets				
Bank and cash balances	46,657	420	-	47,077
Trade receivables	147,944	3,154	-	151,098
	194,601	3,574	-	198,175

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

The following sensitivity analysis shows how profit before tax and equity would change if the market risk variables had been different on the balance sheet date with all other variables held constant.

	2021 Sh'000		2020 Sh'000	
	Effect on profit before tax	Effect on equity	Effect on profit	Effect on equity
Currency - GB pounds				
+ 1 percentage point movement	94	66	35	26
-1 percentage point movement	(94)	(66)	(35)	(26)
Currency - US dollars				
+ 1 percentage point movement	2,464	1,725	1,946	1,460
- 1 percentage point movement	(2,464)	(1,725)	(1,946)	(1,460)

(ii) 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 company closely monitors the interest rate trends to minimize the potential adverse impact of interest rate changes. The company's policy is to borrow in the same currency as the trading currency to minimise interest rate risk exposure.

The company did not have any borrowings for the period under review, therefore not susceptible to interest rate risk in this period.

Financial risks arising from involvement in agricultural activity

The company is exposed to financial risks arising from changes in tea prices. The company reviews its outlook for tea prices regularly in considering the need for active financial risk management.

29 OPERATING SEGMENT INFORMATION

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the company that are regularly reviewed by the Chief Operating Decision Maker (CODM) in order to allocate resources to the segments and to assess performance. The entity's business is viewed as one operating segment hence no further disclosures deemed necessary.

30 EVENTS AFTER THE REPORTING DATE

There were no significant adjusting events subsequent to the period end that required adjustment or disclosure in these financial statements.

31 COUNTRY OF INCORPORATION

The company is incorporated and domiciled in Kenya under the Kenyan Companies Act, 2015.

32 ULTIMATE HOLDING COMPANY

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

33 CURRENCY

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