KAPCHORUA TEA KENYA PLC

ANNUAL REPORTS
AND
FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 MARCH 2023

CONTENTS

NOTICE IS HEREBY GIVEN that the 81st Annual General Meeting of the Shareholders will be held by electronic communication on Thursday 24 August 2023 at 10.15 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 2023.

2) To approve dividend of KShs 25 per share in respect of the year ended 31 March 2023 payable on 4th September 2023, to shareholders on the Register of Members as at close of business on 23rd August 2023.

3) To re-elect Directors:

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

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

4) In accordance with the provisions of Section 769 of the Companies Act 2015, the following directors being members of the Governance and Audit Committee, be appointed individually to continue to serve as members of the said committee:

   i) Mr. Mathew Koech
   ii) Mr. James Patrick Brooks
   iii) Mr. Edward Charles Magor

5) To approve the remuneration of the Directors.

6) To note that PriceWaterHouse Coopers LLP continue in office and to authorize Directors to agree their remuneration.

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

BY ORDER OF THE BOARD

Gilbert K Masaki
SECRETARY
28Th June **2023**

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	PricewaterhouseCoopers LLP PwC Tower, Waiyaki Way/Chiromo Road, Westlands P.O Box 43963-00100 Nairobi, Kenya	
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
For the year ended 31 March 2023

		2023	2022	2021	2020	2019
Tea production						
Area under tea	Hectares	646	638	638	619	623
Made tea - own	'000 kgs	1,734	1,694	1,932	1,819	2,070
- bought leaf	'000 kgs	4,277	4,128	4,814	4,087	3,730
Total	'000 kgs	6,011	5,822	6,746	5,906	5,800
Tea sold	'000 kgs	6,470	5,888	7,078	5,437	5,787
Average sales price per kg (gross)	KShs	274.17	240.39	206.24	208.60	237.91
Revenue - tea sales (KShs'000)		1,773,794	1,415,471	1,445,640	1,134,302	1,376,832
Profit /(loss) (KSh'000)						
Profit/(loss) before tax		454,721	303,013	34,114	11,324	(151,676)
Income tax (expense)/credit		(140,211)	(88,997)	(27,049)	8,113	26,011
Profit/(loss) for the year		314,510	214,016	7,065	19,437	(125,665)
Capital employed (KShs'000)						
Assets (KShs'000)						
Property, plant and equipment		1,118,555	948,574	991,564	829,983	919,374
Right of use assets-Leasehold Land		19,140	19,362	19,794	19,821	-
Prepaid operating Lease		-	-	-	-	19,845
Intangible assets		449	292	42	139	501
Biological assets		311,609	258,274	197,962	215,614	220,347
Unquoted Investments		14,237	14,203	717	717	717
Current assets		1,011,399	908,375	871,626	875,728	872,389
Total assets		2,475,389	2,149,080	2,081,705	1,942,002	2,033,173
Liabilities (KShs'000)						
Post-employment benefits obligation		85,563	95,646	140,767	132,525	130,845
Deferred income tax		365,220	278,885	268,738	201,638	241,285
Current liabilities		159,094	150,825	185,939	180,948	193,329
Total liabilities		609,877	525,356	595,444	515,111	565,459
Net assets		1,865,512	1,623,724	1,86,261	1,426,891	1,467,714
Financed by (KShs'000)						
Share capital		39,120	39,120	39,120	39,120	39,120
Revaluation Surplus		385,931	403,038	374,936	255,729	251,758
Retained Earnings		1,440,461	1,181,566	1,072,205	1,132,042	1,176,836
Shareholders' funds		1,865,512	1,623,724	1,486,261	1,426,891	1,467,714

EARNINGS/(LOSS)		2023	2022	2021	2020	2019
PER SHARE	KShs	40.20	27.35	0.90	2.48	(16.06)
PROPOSED DIVIDENDS PER SHARE (par value)	%	500	200	200	200	200
PROPOSED DIVIDENDS PER SHARE	KShs	25	10	10	10	10
PROPOSED DIVIDEND COVER	Times	1.61	2.74	0.09	0.25	(1.61)
Closing exchange rates	US $	132.33	114.95	109.51	104.69	100.75
	UK £	163.67	151.13	150.69	129.87	131.85

RESULTS

The company reported a profit for the year from operations of KShs 315 million compared to a profit of KShs 214 million reported in 2022.

Crops

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

There was a very dry end to the financial year but Kapchorua managed to finish the year marginally ahead of last year. We have rainfall and wet days averages going back many decades. If we take the long term average, usually the past 10 years the rainfall received was about 12% less and 14 days less wet days. This is a result of much longer dry spells being experienced, now frequently going into a third month. The variety of soil types and characteristics in and around Nandi means soils will dry out faster than other tea growing regions. On the plus side when persistent rain reappears the tea bush responds very fast. The volumes of small holder leaf were stable but the lack of affordable fertilizer on account of the Russia invasion of Ukraine is a concern with KTDA specific smallholders receiving subsidized fertilizer but smallholders selling leaf to large scale tea producers not, or at least not at the moment. We are certain that sufficient leaf is locally available albeit subject to the prevailing weather conditions. In response to this belief we have completed a factory expansion program during the year with more withering space, an additional processing line and expanded sorting and packing areas. This is a huge undertaking both financially and on management time but was completed on deadline and budget, a very significant achievement. The additional processing will allow Kapchorua to take more green leaf during heavy cropping months rather than limiting intakes to the previous capacity. This will benefit Kapchorua, smallholders and the surrounding communities

Cost of Production

The aforementioned Russian invasion of Ukraine has been inflationary on a global scale. Prices of all inputs have risen. The most efficient way of offsetting costs is to increase crops to reduce fixed costs. This we are continuously trying to do in a very competitive market.

There are signs that inflation is being defeated with some decline in energy prices and we hope too that Kenya decision makers find the right economic mix of tax increases, inevitable with a lack of finances and encouraging growth without all the accompanying inflationary pressures that can bring.

There are reasons to be concerned about the rule of law and the gradual erosion of it. Increased theft of green leaf and mindless vandalism and destruction of assets are on the rise in some tea growing areas with always the possibility of copy-cat crimes. The rule of law and adherence to it is the backbone for a stable and strong society. Citizens cannot be allowed to pick and choose which law they will obey.

We live in changing times with Labour costs rising inexorably. To remain competitive in global markets we must control costs thus mechanization has entered the language of tea farming. At the same time it must be remembered that no jobs have been lost to make way for machines, but through retirement manual plucking jobs have declined. We recognize that some communities view tea plucking as important, other jobs are scarce, even if tea plucking does not suit many with rising literacy rates and higher expectations that accompany the same. We continue to employ manual tea pluckers whilst encouraging decision makers to invest in modern tech industries to better serve the needs of youth expectations.

Power from KPLC remains erratic and we will need to look in future at investing in renewable power sources if delivery continues to disappoint.

The issues, problems and commercial interference from Rainforest Alliance (RFA) environmental and welfare audits have continued throughout the year. These are Industry not individual issues and so far no satisfactory compromise has been reached, but it is clear, that annual escalation of costs and time spent in administration must be resolved if we are to continue with RFA. No business can be held to account by a third party auditor imposing unilateral implementation without proper consultation. The tea industry in Kenya is probably in the top three most regulated industries and RFA audits should be limited to affirming already set standards not serving an ever increasing set of rules that cost more each year without any commercial benefit. We have recently agreed to substantial increases to our per acre land rates in Nandi and concluded 8% + 7% wage increases in the 2021/22 CBA negotiations.

Markets

The results before you are the consequence of incredibly hard work from the company's employees, my congratulations to them all, particularly in view of the additional workload presented by the factory expansion.

Our target markets, as explained last year are Pakistan and Egypt being 60% of Kenya's market. With purchasing size comes many good things but risk also and political and inflationary pressures in both countries carry risk that sufficient dollars (the purchasing currency) may be in short supply. Loans have to be repaid. Whilst there is no tangible difference a company can make, we must weigh up these risks very carefully when deciding where to sell our teas.

On a positive note, we have continued to grow our farm brand in these critical markets and compete with more established competitors, frequently at a level higher than all our other large scale tea producer competitors. The KTDA have retained their minimum pricing policy in the Mombasa auction. For a small group or company this is not possible on account of the relentless nature of the tea bush producing green leaf for processing in a 24/7 cycle. Cash is therefore King, not tea stocks. We will continue to seek a wide range of markets, but our current policy is to the advantage of all, shareholders, employees and communities. Both Pakistan and Egypt are well established tea destinations with a huge customer base interested and hungry for tea.

I have mentioned before (last year) that India, whilst having its own domestic production is an untapped destination for Kenyan tea due to protectionist tariffs currently at 100%. It is very important that decision makers in Kenya seek to unlock the potential of India through diplomacy and trade negotiations. The tea consumed in India is broadly like Kenyan tea and India has now overtaken China as the most populated country. China too is an untapped market and should be viewed as one of high export potential.

There is considerable debate surrounding value addition and indeed this is an avenue that we would all wish to aspire to. As a primary producer of tea, planting tea bushes and plucking green leaf before converting into a consumable product 24 hours a day, our ability to engage in value addition is limited. Why? Actual value addition is defined in the media as medium to small packets of a product sold directly to consumers. This can only be achieved by competing with multiple existing national and international blenders, packers and retailers in origin countries, along with some global brands (Kenya tea is exported around the world). It is therefore unrealistic, and financially impossible for primary producers to establish multiple points of branding, convenience, blending, designs, packing and unique selling points on a global basis.

Instead, value addition for a primary producer, is making the right quality of tea for many different markets, increasing buyer demand for that tea through consistency, quality, cost control and communication before efficiently shipping the product to multiple destinations around the world thus at all times encouraging competition to hopefully sell at a profitable price. Increasing demand for our tea is therefore the only realistic path to better profitability.

Politics

It is perhaps important for a moment's reflection on not just "what" we are doing as a company but what we are doing within the context of rules, regulations and the law.

What is a listed public company? The shareholders of a publicly traded company have claim to its assets and profits through ownership via shares. The shares are freely traded on a stock exchange (NSE).

The level of regulatory and reporting controls is enormous (all round the world) and inevitably increases from time to time. When profits are made taxes are paid, it matters not where the origin of shareholders may be, it is the registration and location of the company and in our case the listing on the NSE that decides who benefits – thus Kenya benefits.

Shares in public listed companies are purchased by investors who have confidence in those companies (the readers of this statement) that the law and other rules will be adhered to and their investment will be responsibly looked after in a way to provide some income.

Why mention what you are aware of already? First of all, to lay to rest the perception that your company is a multinational. It is not, it is all of the above; and then to alert and reinforce to members that in spite of demonstrating due diligence and accountability there are many other narratives gaining "airtime" recently in various forms of the media. When divisive stories start to be printed for partisan reasons all the good and positive contributions of your company can be undone by opinion and opinion ignores the facts.

Our contributions include: 60 to 70% of the leaf processed in our factories comes from local communities, smallholder farmers, our partners in a willing buyer willing seller contract. Across all large scale producers this amounts to Ksh 5 billion in payments. Over $470 million dollars in foreign exchange is generated and contributed to the national government by large scale tea producers. Local procurement through Nandi county is Ksh 1 billion. CSR in the form of health, soft loans, education, potable water and much more supports the local communities. During the year the company paid 124 million to KRA as corporate tax. I could go on, but make no mistake the amount of time energy and money spent ensuring the rule of law and that the safety of your company is maintained is now significant

Market and General Outlook

Last year as elections loomed I reported as follows: An election frequently brings with it change, however our hope is that stability in a very unstable world is achieved.

Unfortunately, that much desired stability remains elusive on the political and commercial front.

Until it arrives we cannot accurately forecast, there are too many surprises that require immediate or future attention.

We hope that our quality, consistency, integrity, efficiency and hard work results in a successful year.

Dividends

In view of the results, the Directors are recommending a final dividend payment of KShs 25 per share (2022: KShs 10 per share).

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. Over 2 million shillings was spent on these activities during the year.

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.

During the year the company spent Ksh. 5.4 million on health and education.

Welfare

The number of permanent and seasonal employees exceeded 379 with over 882 of their dependents who also benefit from the social and welfare amenities provided.

During the year, the company spent over KShs 39 million on employees' pension, gratuities, leave and medical expenses over and above employees' direct wages. Additionally, 15 million was spent on labour welfare related matters.

Appreciation

I would like to thank all our management staff led by Managing Director Alan Carmichael and Technical Director Samuel Thumbi.

Our grateful thanks to General manager Ronald Ngala and his team for their considerable and successful efforts during the year.

My thanks also to our Chief Financial Officer Angus Nyariki for his significant contribution and to head office staff in Nairobi.

And lastly to my fellow Directors for the valuable contribution and advice

E N K Wanjama
Chairman
28Th June 2023

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 2023 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 considering 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 Chief Financial officer is also a member of ICPAK and Institute of Certified public Secretaries of Kenya (ICPSK)

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 2023 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 2023 is summarised below:

Name	**Number of Shares**	
	2023	**2022**
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 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.

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 2023, 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	Satchu Aly-Khan	Nairobi	109,400	1.40
6	Minesh M.Shah	Nairobi	105,328	1.35
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	Charles Heimleus Orina	Eldoret	60,000	0.77

Analysis of shareholders

By region:

	Number	Shares held	%
Foreign shareholders	29	2,281,196	29.16
Local shareholders (Individuals)	679	1,335,262	17.07
Local shareholders (Institutional)	42	4,207,542	53.76
	750	7,824,000	100

By shares distribution:

	Number	Shares held	%
Less than 501	480	64,212	0.82
501 to 10,000	229	583,152	7.45
10001 to 100,000	35	893,820	11.42
100,001 to 1,000,000	4	1,312,728	16.79
Above 1,000,000	2	4,970,088	63.52
	750	7,824,000	100

2022/2023 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	4/4	
JP Brooks	Non-executive		Membership	√	√	
			Attendance	4/4	4/4	
P Magor	Non-executive		Membership	√		√
			Attendance	4/4		1/1
E Magor	Non-executive		Membership	√	√	
			Attendance	4/4	4/4	
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

Mathew Koech
Director

The directors present their report together with the audited financial statements of Kapchorua Tea Kenya PLC (the "company") for the year ended 31 March 2023, which show the state of its financial affairs.

ACTIVITIES

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

RESULTS

	2023 KShs'000	2022 KShs'000
Profit before tax	454,721	303,013
Income tax charge	(140,211)	(88,997)
Profit for the year	314,510	214,016

BUSINESS REVIEW

Performance

The crop production increased by 3.5% from 5.8 million kilos to 6.0 million kilos of made tea. The volumes of tea sold increased from 5.9 million kilos sold last year to 6.5 million kilos sold this year, an equivalent of 10.2%. The turnover increased by 22.1% to KShs 1.77 billion compared to KShs 1.42 billion reported last year. The average tea prices increased from KShs 240 per kilo of made tea fetched last year to KShs 274 per kilo of made tea realised this year. The company recorded a total profit for the year of KShs 315 million compared to KShs 214 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.

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 resulted in significant governmental measures and caused disruption to the financial markets and global economy however this did not significantly affect 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 7 to 11 and of Corporate Governance Statement on pages 12 to 15.

DIVIDENDS

The directors recommend that a first and final dividend of KShs 25 per share (2022: KShs 10), totalling KShs 196,600,000 for the year ended 31 March 2023(2022: KShs 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 PRODUCTION

The following are comparative tea production statistics:

Year ended 31-March	Kapchorua estate Kgs'000	Bought leaf Kgs'000	Total Kgs'000
2023	1,734	4,277	6,011
2022	1,694	4,128	5,822
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

The projected tea production for the year to 31 March 2024 is 6,642,900 kilograms which includes 5,013,600 kilograms from out growers.

TEA PRODUCTION (Continued)

PLANTED AREA

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

	31 March 2023 Hectares	31 March 2022 Hectares
Mature	575	575
Immature	71	63
	646	638

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

PricewaterhouseCoopers LLP, having expressed their willingness, continue in office in accordance provisions of Section 721 (2) of the 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
28Th June 2023

The directors' remuneration report sets out the remuneration arrangements for the directors of Kapchorua Tea Kenya Plc for the year ended 31 March 2023.

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 KShs'000	Sitting allowance KShs'000	Total KShs'000
Non - executive directors			
31 March 2023			
Philip Magor	4,382	144	4,526
Edward Magor	4,382	230	4,612
Mathew Koech	720	230	950
E N K Wanjama	1,080	174	1,254
JP Brooks	720	230	950
Total	11,284	1,008	12,292
31 March 2022			
Philip Magor	4,504	144	4,648
Edward Magor	4,504	202	4,706
Mathew Koech	720	230	950
E N K Wanjama	1,080	144	1,224
JP Brooks	720	202	922
Total	11,528	922	12,450

During the year, the company also paid directors fees of KShs 305,856 (2022: KShs 377,732) to Williamson Tea Kenya Plc relating to the executive directors. Accordingly, the total directors' remuneration for the year was KShs 12,598,000 (2022: KShs 12,827,000).

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.

Approval of the directors' remuneration report

The directors confirm that this report has been prepared in accordance with the Companies Act 2015.

BY ORDER OF THE BOARD

E N K Wanjama
Chairman
28th June 2023

The 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 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 assessed 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 28th June 2023 and signed on its behalf by:

E N K Wanjama Chairman	Mathew Koech Director

pwc

Independent auditor's 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 26 to 65 which comprise the statement of financial position at 31 March 2023 and the statements of profit or loss and other comprehensive income, changes in equity, and cash flows for the year then ended and the notes to the financial statements, which include significant accounting policies and other explanatory information.

In our opinion the financial statements give a true and fair view of the financial position of Kapchorua Tea Kenya Plc at 31 March 2023 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the 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 Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya. We have fulfilled our other ethical responsibilities in accordance with 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

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

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Partners: E Kerich B Kimacia M Mugasa A Murage F Muriu P Ngahu B Ngunjiri R Njoroge S O Norbert's B Okundi K Saiti

Key Audit Matter	How Our Audit Addressed the Key Audit Matter
Valuation of biological assets As disclosed in note 3(ii) and 15 of the financial statements, the Company has significant biological assets consisting of unharvested green leaf and plantations of trees for fuel and timber sales. The biological assets are carried at fair value less estimated costs to sell. The company uses external independent forestry valuation experts to determine the fair value timber plantations, and an internally developed valuation model in determination of the value of fuel plantations. The fair valuation is determined by estimating the fair value less costs to sell of biological assets based on the biological transformation of the assets rather than the price at the time of harvest. The company applies significant assumptions and estimates in determining the fair value less costs to sell of the biological assets based on both observable and non-observable data. The most significant assumptions and estimates include expected market prices, estimated costs to sell, biological transformation, maturity period, and the applicable discount rate for calculation of the present value of projected future cash flows. The assumptions and uncertainties involved in these estimates and judgements could have a material impact on the financial results and financial position of the Company.	We assessed management's process and controls for determination of the fair value of the biological assets, including oversight from those charged with governance. Performed, on a sample basis, a physical verification of the acreage of the biological asset to confirm the existence of the assets. Validated the significant assumptions in the valuation models against available market information or other independent sources of information. Tested the non-observable inputs used in the model against the underlying information to assess their accuracy, reliability and completeness. Subjected the key assumptions used in the model to a sensitivity analysis. Tested the mathematical accuracy of the valuation models. Assessed the adequacy and consistency of the related disclosures in the financial statements in accordance with the requirements of International Financial Reporting Standards.

Other information

The other information comprises the Chairmans' Statement, Corporate Governance Statement, Report of Directors, Directors' Remuneration Report and Statement of Directors' Responsibilities, which we obtained prior to the date of this auditor's report, but does not include the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in this report, we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the 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 we have received 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.

Independent auditor's report to the shareholders of Kapchorua Tea Kenya Plc (Continued)

Responsibilities of directors for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2015 and for such internal controls as directors determine is 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 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 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 directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent auditor's report to the shareholders of Kapchorua Tea Kenya Plc (Continued)

Auditor's responsibilities for the audit of the financial statements (continued)

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the Company's 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 Companies Act, 2015

Report of the directors

In our opinion the information given in the report of the directors on pages 16 - 18 is consistent with the financial statements.

Directors' remuneration report

In our opinion the auditable part of the directors' remuneration report on page 19 - 20 has been properly prepared in accordance with the Companies Act, 2015.

FCPA Michael Mugasa, Practicing Certificate Number 1478
Engagement partner responsible for the audit

For and on behalf of PricewaterhouseCoopers LLP
Certified Public Accountants
Nairobi.

25th June **2023**

Statement of profit or loss and other comprehensive income
For the year ended 31 March

	Notes	2023 KShs'000	2022 KShs'000
Revenue	4	1,773,794	1,415,471
Gains/(losses) from changes in fair value of biological assets			
- Timber trees	15	(21,325)	45,906
- Fuel trees	15	80,462	18,392
- Unharvested green leaf		1,690	(13,281)
Operating income		1,834,621	1,466,488
Cost of sales		(1,373,337)	(1,128,800)
Gross profit		461,284	337,688
Other income		6,698	17,976
Interest income	7	34,852	31,220
Finance income	7	50,087	3,355
Distribution costs		(77,567)	(66,811)
Administrative expenses		(20,633)	(20,415)
Profit before income tax		454,721	303,013
Income tax expense	8	(140,211)	(88,997)
Profit for the year		314,510	214,016
Other comprehensive income			
Items that may not be reclassified subsequently to profit or loss;			
Re-measurement of post-employment benefits obligation	21	7,883	2,410
Deferred income tax thereon		(2,365)	(723)
		5,518	1,687
Total comprehensive income for the year		320,028	215,703
Earnings per share - basic and diluted (KShs)	9	40.20	27.35

Statement of financial position
At 31 March

	Notes	2023 KShs'000	2022 KShs'000
ASSETS			
Non -current assets			
Property, plant and equipment	11	1,118,555	948,574
Right of -use -assets	12	19,140	19,362
Intangible assets	13	449	292
Financial assets at fair value through profit or loss	14	14,237	14,203
Biological assets	15	311,609	258,274
		1,463,990	1,240,705
Current assets			
Biological assets	15	3,961	2,271
Inventories	16	159,385	201,331
Trade and other receivables	17	214,515	122,458
Current income tax	8	38,528	-
Cash and bank balances	18	595,010	582,315
		1,011,399	908,375
Total assets		2,475,389	2,149,080
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	19	39,120	39,120
Other reserves	19	385,931	404,725
Retained earnings		1,440,461	1,179,879
Shareholders' funds		1,865,512	1,623,724
Non-current liabilities			
Deferred income tax	20	365,220	278,885
Post-employment benefits obligation	21	85,563	95,646
		450,783	374,531
Current liabilities			
Current income tax	8	-	29,474
Dividends payable	10	4,099	3,644
Trade and other payables	22	154,995	117,707
		159,094	150,825
Total equity and liabilities		2,475,389	2,149,080

The financial statements on pages 26 to 65 were approved and authorised for issue by the board of directors on 28th June 2023 and were signed on its behalf by:

E N K Wanjama
Chairman

Mathew Koech
Director

Statement of changes in equity

	Notes	Share capital KShs'000	Other reserves KShs'000	Retained Earnings KShs'000	Total KShs'000
Year ended 31 March 2022					
At start of year		39,120	374,936	1,072,205	1,486,261
Profit for the year		-	-	214,016	214,016
Other comprehensive income		-	1,687	-	1,687
Revaluation reserve release on disposal		-	19,014	(19,014)	-
Deferred income tax on disposal		-	(5,704)	5,704	-
Transfer of excess depreciation		-	21,132	(21,132)	-
Deferred income tax on excess depreciation		-	(6,340)	6,340	-
Transaction with owners:					
- Dividend paid	10	-	-	(78,240)	(78,240)
At end of year		39,120	404,725	1,179,879	1,623,724
Year ended 31 March 2023					
At start of year		39,120	404,725	1,179,879	1,623,724
Profit for the year		-	-	314,510	314,510
Other comprehensive income		-	-	5,518	5,518
Revaluation reserve release on disposal		-	1,150	(1,150)	-
Deferred income tax on disposal		-	(345)	345	-
Transfer of excess depreciation		-	(27,998)	27,998	-
Deferred income tax on excess depreciation		-	8,399	(8,399)	-
Transaction with owners:					
- Dividend paid	10	-	-	(78,240)	(78,240)
At end of year		39,120	385,931	1,440,461	1,865,512

Statement of cash flows
For the year ended 31 March

	Notes	2023 KShs'000	2022 KShs'000
Cash flows from operating activities			
Cash generated from operations	23	414,248	298,719
Interest received	7	34,852	31,220
Interest paid	7	-	(34)
Income tax paid	8	(124,244)	(48,542)
Net cash flows from operating activities		324,856	281,363
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(277,766)	(84,970)
Purchase of intangible assets computer software	13	(319)	(342)
Dividends Received		1,876	-
Proceeds from disposal of PPE		7,507	8,777
Additions to biological assets	15	(2,345)	(2,532)
Net cash flows from investing activities		(271,047)	(79,067)
Cash flows from financing activities			
Dividend paid	10	(77,785)	(78,238)
Net cash flows from financing activities		(77,785)	(78,238)
(Decrease) / Increase in cash and cash equivalents		(23,976)	124,058
Cash and cash equivalents at start of year		582,315	458,161
Effects of exchange rate changes on cash and cash equivalents		36,671	96
Cash and cash equivalents at end of year	18	595,010	582,315

Notes

1 GENERAL INFORMATION

Kapchorua Tea Kenya PLC (the "Company") is incorporated in Kenya under the Companies Act, 2015 as a private limited liability company and is domiciled in Kenya. The address of its registered office is:

Karen Office Park
Acacia Block 2nd Floor
Lang'ata Road
PO BOX 42281-00100
Nairobi

2 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 Companies Act, 2015.

For the 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 2023

Annual improvements cycle 2018 -2020

These amendments include minor changes to:

- IFRS 1, 'First time adoption of IFRS' has been amended for a subsidiary that becomes a first-time adopter after its parent. The subsidiary may elect to measure cumulative translation differences for foreign operations using the amounts reported by the parent at the date of the parent's transition to IFRS.

- IFRS 9, 'Financial Instruments' has been amended to include only those costs or fees paid between the borrower and the lender in the calculation of "the 10% test" for derecognition of a financial liability. Fees paid to third parties are excluded from this calculation.

- IFRS 16, 'Leases', amendment to the Illustrative Example 13 that accompanies IFRS 16 to remove the illustration of payments from the lessor relating to leasehold improvements. The amendment intends to remove any potential confusion about the treatment of lease incentives.

- IAS 41, 'Agriculture' has been amended to align the requirements for measuring fair value with those of IFRS 13. The amendment removes the requirement for entities to exclude cash flows for taxation when measuring fair value.

There was no material impact on the adoption of the standards to the financial statements of the Company.

Notes (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Amendments to IAS 37 Onerous Contracts- Cost of Fulfilling a Contract

This amendment was published in May 2020 and is effective for annual periods beginning on or after 1 January 2022.

The amendment clarifies which costs an entity includes in assessing whether a contract will be loss-making. This assessment is made by considering unavoidable costs, which are the lower of the net cost of exiting the contract and the costs to fulfil the contract. The amendment clarifies the meaning of 'costs to fulfil a contract'. Under the amendment, costs to fulfil a contract include incremental costs and the allocation of other costs that relate directly to fulfilling the contract.

There was no material impact on the adoption of the standard to the financial statements of the Company.

Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use

This amendment was published in May 2020 and is effective for annual periods beginning on or after 1 January 2022.

The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced when testing a machine to see if it is functioning properly). The proceeds from selling such items, together with the costs of producing them, are recognised in profit or loss.

There was no material impact on the adoption of the standard to the financial statements of the Company.

Amendment to IFRS 3, 'Business combinations' Asset or liability in a business combination clarity

The Board has updated IFRS 3, 'Business combinations', to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination.

In addition, the Board added a new exception in IFRS 3 for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets', or IFRIC 21, 'Levies', rather than the 2018 Conceptual Framework.

The Board has also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.

There was no material impact on the adoption of the standard to the financial statements of the Company.

(ii) New and revised IFRS Standards in issue but not yet effective for the period ended 31 March 2023

Amendment to IAS 1, 'Presentation of Financial Statements' on Classification of Liabilities as Current or Non-current

This amendment was published in January 2020 and is effective for annual periods beginning on or after 1 January 2023.

The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. A number of requirements are required to be met in conjunction with this amendment.

Directors do not plan on early adopting the standard until it becomes effective. It is not expected to have any material effect on the Company.

Notes (continued)

2 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 period ended 31 March 2023 (continued)

Amendments to IAS 12, Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

This amendment was published in May 2021 and is effective for annual periods beginning on or after 1 January 2023.

The amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.

Directors do not plan on early adopting the standard until it becomes effective. It is not expected to have any material effect on the Company.

Narrow scope amendments to IAS 1 'Presentation of Financial Statements', Practice statement 2 and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'

This amendment was published in February 2021 and is effective for annual periods beginning on or after 1 January 2023.

The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish changes in accounting policies from changes in accounting estimates.

Directors do not plan on early adopting the standard until it becomes effective. It is not expected to have any material effect on the Company.

(iii) Early adoption of standards

The Company did not early-adopt any new or amended standards in 2023.

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

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown net of value-added tax (VAT), rebates and discounts.

Revenue is recognized when the Company satisfies the performance obligation and transfers control of the goods or services to the customer at the amount to which the company expects to be entitled and that is allocated to that specific performance obligation.

Notes (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (continued)

Revenue is recognised as follows:

a) Sales goods (teas) are recognised at a point in time when the control of the promised goods transfers to the customer and the entity has satisfied its performance obligations under the contract with the customer. The point of transfer of control is determined as the date of delivery of goods to the customer for local sales and date of bill of lading for export sales. For auction sales, revenue is recognised when control of the tea has transferred, being at the fall of the hammer.
b) Dividends receivable are recognized as income in the period in which the right to receive payment is established.
c) Interest income is recognized when it is probable that the economic benefits will flow to the company and the amount of income can be measured reliably. Interest income is accrued on time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

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

Other income

Other income is recognised in the profit or loss when the "other income" is earned and control of the related asset is transferred or when the "other expense" is incurred.

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.

Notes (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets-computer software costs

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

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 market value approach.

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.

Notes (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Depreciation (continued)

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.

Leases

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

Notes (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (continued)

The Company as lessee (Continued)

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 recognized 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.

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 contract 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.

Income tax

Income tax expense represents the sum of the tax currently payable and deferred income tax. Income tax is recognised in the profit and loss account except when it relates to items recognised in other comprehensive income, in which case it is also recognised in other comprehensive income, or to items recognised directly in equity, in which case it is also recognised directly in equity.

(i) Current income tax

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.

Notes (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(ii) Deferred income tax

Deferred income 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 income tax liabilities are generally recognised for all taxable temporary differences. Deferred income 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 income 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 income 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 income 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 income 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.

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 KShs 200 per employee per month.

The company's contributions are charged to profit or loss in the year to which they relate.

(iii) Provision for 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-two 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.

Notes (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Date of recognition

Financial assets and liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

Initial recognition and measurement

Financial assets are classified, at initial recognition and subsequently measured at amortised cost and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Receivables that do not contain a significant financing component are measured at the transaction price determined under IFRS 15.

Notes (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (continued)

Financial assets

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

- Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset .

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through profit or loss.

Financial assets at amortised cost (debt instruments)

The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost include Loans and receivables, cash and cash equivalents, deposits with financial institutions, commercial papers, corporate bonds, other receivables, government securities at amortised cost and due from related parties.

The SPPI test

As a second step of its classification process the Company assesses the contractual terms to identify whether they meet the SPPI test.
"Principal" for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a debt arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the period for which the interest is set.

Notes (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (continued)

Financial assets (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

The Company has classified quoted equity instruments and investments in collective investment scheme in this category.

Derecognition

Derecognition other than for substantial modification

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Derecognition due to substantial modification of terms and conditions

The Company derecognises a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new instrument, with the difference recognised as derecognition gain or loss. When assessing whether or not to derecognise an instrument, amongst others, the Company considers the following factors: introduction of an equity feature, change in counterparty and if the modification is such that the instrument would no longer meet the SPPI criterion.

If the modification does not result into cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Company records a modification gain or loss.

Notes (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (continued)

Derecognition (continued)

Impairment of financial assets

At the end of each reporting period, all financial assets are subject to review for impairment.
If it is probable that the Company will not be able to collect all amounts due (principal and interest) according to the contractual terms of loans, receivables, or held-to-maturity investments carried at amortised cost, an impairment or bad debt loss has occurred. The carrying amount of the asset is reduced to its estimated recoverable amount either directly or through use of an allowance account. The amount of the loss incurred is dealt with through profit or loss for the year. If a loss on a financial asset carried at fair value (recoverable amount is below original acquisition cost) has been recognised in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative net loss that had been recognised in other comprehensive income is removed and recognised in the profit or loss for the period even though the financial asset has not been derecognised. Reversal of an impairment loss is recognised in the profit or loss unless it relates to a revalued asset.

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.

Earnings per share

The Company presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Comparatives

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

Notes (continued)

3 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

Impairment

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. The recoverable amount is the higher of the asset's fair value less costs to sale and its value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs. Any impairment losses are recognised immediately. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount. A reversal of an impairment loss other than that arising from goodwill, is recognised as income immediately.

Revaluation of assets

Some of the Company's assets are stated as professionally valued every three years. The board of directors of the Company determines the appropriate valuation techniques and inputs for fair value measurements and frequency of the asset valuation. The board of directors engages third party qualified and registered valuers to perform valuation. The board and management work closely with the external valuers to establish the appropriate valuation techniques and inputs to the model.

Information about valuation techniques and inputs used in determining the fair value of various assets disclosed in notes 11.

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

(ii) Key sources of estimation uncertainty

Biological assets (timber and fuel)

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 less costs to sell of biological assets, the company uses the expected cash flows from the sale of the asset discounted at the current market determined pretax rate. The objective of a calculation 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 directors use estimates based on historical data relating to yields, selling prices, harvesting, and biological transformation. 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.

Notes (continued)

3 CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

(ii) Key sources of estimation uncertainty (continued)

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.

4 REVENUE

	2023 KShs'000	2022 KShs'000
a) This information is based on the principal activity of the company:		
Tea sales	1,773,794	1,415,471

	2023 KShs'000	2022 KShs'000
b) The company's tea sales revenue is derived from point-in-time sales the following markets:		
Direct export sales	847,629	454,259
Local sales at The Mombasa Tea Auction	926,165	961,212
	1,773,794	1,415,471

5 PROFIT BEFORE TAX

	2023 KShs'000	2022 KShs'000
The profit before income tax is arrived at after charging/(crediting):		
Staff costs (note 6)	207,310	150,708
Depreciation of property, plant and equipment (note 11)	99,315	98,192
Directors' emoluments:		
-Fees and allowances	12,292	12,450
Auditors' remuneration	2,037	2,013
Gain/ (loss) on disposal of plant and equipment	(8,469)	25,783

Notes (continued)

6 STAFF COSTS

	2023 KShs'000	2022 KShs'000
Wages and salaries	168,756	162,658
Social security costs (NSSF)	1,575	1,126
Pension costs (defined contribution plan)	2,909	2,582
Post-employment benefits obligation (note 21)	17,399	(27,728)
Leave pay provision	12,467	7,781
Medical costs	4,204	4,289
	207,310	150,708

The average number of employees during the year ended 31 March were as follows:

	2023	2022
Management and administration	5	5
Factory	152	151
Field	222	278
	379	434

7 FINANCE INCOME

	2023	2022
a) Interest income		
Interest income on short term deposits	34,852	31,220
b) Finance income		
Net foreign exchange gains	50,087	3,389
Interest on bank overdrafts	-	(34)
	50,087	3,355

8 INCOME TAX

	2023	2022
a) Current income tax charge/(credit)		
Current income tax based on taxable profit for the year at 30%	56,	80,343
Over-provision in prior years	63	(768)
	56,242	79,575
Deferred income tax:		
- charge/ (credit) for the year note 20)	83,969	8,673
- under-provision in prior years	-	749
	83,969	9,422
	140,211	88,997

Notes (continued)

8 INCOME TAX (continued)

b) Reconciliation of expected income tax based on accounting profit/(loss) to tax charge

	2023 KShs'000	2022 KShs'000
Accounting profit before tax	454,721	303,013
Tax at the applicable rate of 30% (2022:30%)	136,416	90,904
Tax effect of income not taxable		
- Other income not taxable	(5)	(3,562)
Tax effect of expenses not deductible for tax purposes		
- Depreciation on non-qualifying assets	397	149
- Pension costs	793	643
- Donations	456	714
- Subscriptions	452	-
- Other provisions	219	168
Under-provision of deferred income tax in prior years	-	749
Under-provision of current income tax in prior years	63	(768)
Tax effect of deferred tax calculated at 15%	1,420	-
	140,211	88,997

c) Current income tax recoverable

At start of year	29,474	(1,557)
Tax paid in the year	(124,244)	(48,542)
Charge to profit or loss	56,179	80,341
Over-provision in prior years	63	(768)
At end of year	(38,528)	29,474

Notes (continued)

9 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.

	2023 KShs'000	2022 KShs'000
Earnings		
Profit	314,510	214,016
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 (KShs)	40.20	27.35

There were no potentially dilutive shares outstanding at 31 March 2023 or 31 March 2022. Diluted earnings per share are therefore equivalent to the basic earnings per share.

10 DIVIDENDS

(a) Proposed dividends

The directors recommend that a final dividend of KShs 25 per share (2022: KShs 10 per share), totalling KShs 196,600,000 (2022: KShs 78,240,000) be paid to shareholders.

This dividend is subject to approval by shareholders at the Annual General Meeting to be held on 24 August 2023 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:

	2023 KShs'000	2022 KShs'000
At start of year	3,644	3,642
Final dividend declared	78,240	78,240
Dividends paid	(77,785)	(78,238)
At end of year	4,099	3,644

Notes (continued)

11 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery & equipment	Tractors & accessories	Motor vehicles	Office equipment furniture & fittings	Computers	Bearer plants	Work in progress	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
COST OR VALUATION									
At 1 April 2021	389,485	221,826	47,535	32,160	5,164	18,216	517,136	79,851	1,311,373
Additions	-	6,404	-	11,390	386	1,229	-	65,561	84,970
Disposals	(24,411)	-	(5,611)	(10,350)	-	(522)	(11,044)	(3,976)	(55,914)
Transfers	1,388	3,505	1,027	-	-	-	14,853	(20,772)	-
At 31 March 2022	366,462	231,735	42,951	33,200	5,550	18,923	520,945	120,664	1,340,429
Comprising:									
At valuation – 2022	354,344	98,346	-	-	-	-	-	-	452,690
At cost	12,118	133,388	42,953	33,200	5,550	18,923	520,944	120,663	887,739
	366,462	231,734	42,953	33,200	5,550	18,923	520,944	120,663	1,340,429
At 1 April 2022	366,462	231,734	42,952	33,200	5,550	18,923	520,945	120,663	1,340,429
Additions	449	157,150	-	-	262	1,763	-	118,142	277,766
Disposals	(261)	(1,442)	-	(630)	-	-	(20,071)	-	(22,404)
Transfers	98,765	24,886	447	-	-	-	12,375	(136,473)	-
At 31 March 2023	465,415	412,328	43,399	32,570	5,812	20,686	513,249	102,332	1,595,791
Comprising:									
At valuation – 2023	354,083	96,904	-	-	-	-	-	-	450,987
At cost	111,332	315,424	43,399	32,570	5,812	20,686	513,249	102,332	1,144,804
	465,415	412,328	43,399	32,570	5,812	20,686	513,249	102,332	1,595,791

Notes (continued)

11 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Buildings	Machinery & Equipment	Tractors & Accessories	Motor vehicles	Office equipment furniture and fittings	Computers	Bearer plants	Work in progress	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
DEPRECIATION									
At 1 April 2021	-	11	45,680	26,174	3,773	16,852	227,330	-	319,820
Charge for the year	39,933	16,063	699	2,838	281	764	37,613	-	98,191
Disposals	(4,575)	-	(5,612)	(10,350)	-	(522)	(5,097)	-	(26,156)
At 31 March 2022	35,358	16,074	40,767	18,662	4,054	17,094	259,846	-	391,855
At 1 April 2022	35,358	16,074	40,769	18,662	4,054	17,094	259,846	-	391,857
Charge for the year	35,303	21,489	757	4,275	264	895	36,333	-	99,316
Disposals	(52)	(483)	-	(630)	-	-	(12,772)	-	(13,937)
At 31 March 2022	70,609	37,080	41,526	22,307	4,318	17,989	283,407	-	477,236
NET BOOK VALUE									
At 31 March 2023	394,806	375,248	1,873	10,263	1,494	2,697	229,842	102,332	1,118,555
At 31 March 2022	331,104	215,660	2,186	14,538	1,496	1,829	261,098	120,663	948,574
NET BOOK VALUE (Cost basis)									
At 31 March 2023	132,064	267,805	1,873	10,263	1,494	2,697	229,843	102,332	748,371
At 31 March 2022	36,287	113,447	2,183	14,538	1,496	1,829	261,099	120,663	551,543

Included in property, plant and equipment are assets with an original cost of KShs 80,306,654 (2022: KShs 73,873,525) which are fully depreciated and whose notional depreciation charge for the year would have been KShs 19,168,022 (2022: KShs 17,039,381). 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).

Notes (continued)

11 PROPERTY, PLANT AND EQUIPMENT (Continued)

Land, building and machinery were last revalued as at 31 March 2021 by an independent valuer, Knight Frank, Registered Valuers and Estate Agents, using the market value approach.

No restrictions on plant, property and equipment, title pledged as security for liabilities. A total of KShs 50 million (2022: KShs 60 million) was being carried as capital commitments as disclosed on note 26. The fair value of plant, property and equipment does not materially differ from the carrying value.

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

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 using market value approach. 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.

If the revalued buildings and plant and machinery were carried in the financial statements at historical cost, the balances at year-end would have been KShs 132,064,000 (2022: KShs 36,287,000) and KShs 267,805,000 (2022: KShs 113,447,000) respectively.

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 2023 are as follows:

	Level 1 KShs'000	Level 2 KShs '000	Level 3 KShs'000	Fair value as at 31 March KShs '000
31 March 2023				
Buildings	-	-	394,806	394,806
Machinery and equipment	-	-	375,247	375,247
	-	-	770,053	770,053

Notes (continued)

11 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Level 1 KShs'000	Level 2 KShs '000	Level 3 KShs'000	Fair value as at 31 March KShs '000
31 March 2022				
Buildings	-	-	331,104	331,104
Machinery and equipment	-	-	215,661	215,661
	-	-	546,765	546,765

The significant unobservable inputs used in the fair value measurements categorised in level 3 of the fair value hierarchy as at 31 March 2023 are as shown below.

Instrument	Level	Valuation basis	Significant unobservable Inputs	Sensitivity of input to the fair value
Property, plant and equipment	3	Market approach	Rate per sq.ft-707.6	Increase/ (decrease) in rate per sq.ft by 5% would decrease/ (increase) fair value by KShs 23.4 million

	2023 KShs'000	2022 KShs'000
12 RIGHT-OF-USE ASSET		
COST		
At start and end of year	21,957	21,957
AMORTISATION		
At start of year	2,595	2,163
Charge for the year	222	432
At end of year	2,817	2,595
NET BOOK VALUE		
At end of year	19,140	19,362

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 27 August 2010. In the current year, the company has accrued for the amortisation of the operating leases over the 99 years lease period since 27 August 2010.

Notes (continued)

13 INTANGIBLE ASSETS – COMPUTER SOFTWARE

	2023 KShs'000	2022 KShs'000
COST		
At start of year	5,583	5,241
Additions/disposal in the year	319	342
At end of year	5,902	5,583
AMORTISATION		
At start of year	5,291	5,199
Charge for the year	162	92
At end of year	5,453	5,291
NET BOOK VALUE		
At end of year	449	292

14 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The balances relates to an equity investment in 503,930 ordinary shares of Kenya Tea Parkers Limited (KETEPA), representing 1.01% shareholding, which is carried at fair value through profit and loss account. The change in fair value in the year is as follows

	2023 KShs'000	2022 KShs'000
At start of year	14,203	717
Fair value gain to profit or loss	34	13,486
At end of year	14,237	14,203

Kenya Tea Packers Limited (KETEPA) is the largest tea packaging company in Kenya.
The fair value of the unquoted shares is based on the net assets in the audited financial statements of KETEPA at 30 June 2022.

Notes (continued)

15 BIOLOGICAL ASSETS

(a) Non – current assets

Year ended 31 March 2022

	Timber trees	Fuel trees	Total
	KShs'000	KShs'000	KShs'000
At start of year	104,973	92,989	197,962
Net expenditure during the year	213	2,319	2,532
	105,186	95,308	200,494
Gains arising from changes in fair value attributable to biological transformation	45,906	18,392	64,298
Decrease due to harvesting for own use	-	(6,518)	(6,518)
Decrease due to sale	-	-	-
At end of year	151,092	107,182	258,274

Year ended 31 March 2023

	Timber trees	Fuel trees	Total
At start of year	151,092	107,182	258,274
Net expenditure in the year	217	2,128	2,345
	151,309	109,310	260,619
Gains arising from changes in fair value attributable to biological transformation	(21,325)	80,462	59,137
Decrease due to harvesting for own use	-	(8,147)	(8,147)
Decrease due to sale	-	-	-
At end of year	129,984	181,625	311,609

Notes (continued)

15 BIOLOGICAL ASSETS (Continued)

(b) Current assets

	2023 KShs 000	2022 KShs 000
Produce growing on tea bushes	3,961	2,271

(c) Significant assumptions

The fair value of biological assets is estimated using the market approach. Timber plantations were revalued at 31 March 2023 by an independent valuation expert, Kenya Forestry Research Institute (KEFRI) using the lumpsum/ liquidation method; by applying the current residual market price of the trees.
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

- Firewood (fuel) selling prices represents the value that the Company can fetch (in cubic metres) upon harvest and delivery to a third party
- The selling price for timber represents the unit residual market price per cubic metre. The residual price is derived by taking the market price of processed timber less the transaction costs.
- A discount rate of 12% (2022: 12%) per annum is applied to discount the expected net cash flows arising from the future harvest of fuel plantations upon maturity.
- The maturity period of firewood and timber trees is between 5 and 15 years depending on the species of the tree.

Unharvested green leaf

- 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 sale of green leaf. Consequently, the out-grower rate has been used to fair value the unharvested green leaf 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 KShs 34,054,627 (2022: KShs 25,991,376) 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 KShs 2,097,505 (2022: KShs 804,080) increase//decrease in the fair value of the timber and fuel trees.

(d) Significant assumptions

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

	Valuation technique	Level 1 KShs'000	Level 2 KShs'000	Level 3 KShs'000	Total KShs'000
Year ended 31 March 2023					
Timber and fuel trees	Market approach	-	311,609	-	311,609
Produce growing on tea bushes	Market approach	-	3,961	-	3,961
		-	315,570	-	315,570

Notes (continued)

15 BIOLOGICAL ASSETS (Continued)

(d) Significant assumptions (continued)

	Valuation technique	Level 1 KShs'000	Level 2 KShs'000	Level 3 KShs'000	Total KShs'000
Year ended 31 March 2022					
Timber and fuel trees	Market approach	-	258,274	-	258,274
Produce growing on tea bushes	Market approach	-	2,271	-	2,271
		-	260,545	-	260,545

Other qualitative and quantitative information

The total timber and fuel trees comprise of approximately 98 hectares (2022:113 hectares) of immature trees (less than 5 years old) and 306 hectares (2022: 302 Hectares) of mature trees.

The company is exposed to risks arising from environmental and climatic changes, commodity prices and financing risks. The company's geographic spread of farms allows a high degree of mitigation against adverse climatic conditions such as droughts and floods and disease outbreaks. The company has strong environmental policies and procedures in place to comply with environmental and other laws. The company is exposed to risks arising from fluctuations in the price of Timber trees. Sales of Timber is widely advertised and done competitively to get the best possible sales price. Planting and upkeep of Timber and firewood trees require substantial capital in the first two years.

The following table summarises the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements:

Description	Fair value at 31 March 2023 KShs'000	Fair value at 31 March 2022 KShs'000	Unobservable input	Range of inputs (probability – weighted average) 2023	Range of inputs (probability – weighted average) 2022	Relationship of unobservable inputs to fair value
Biological assets	284,058	197,962	Discount rate	10%-14% (12%)	10 - 14% (12%)	The higher the discount rate the lower the fair value

Notes (continued)

16 INVENTORIES

	2023 KShs'000	2022 KShs'000
Tea stocks	59,289	143,657
Firewood	12,136	13,562
	71,425	157,219
Consumables	106,965	65,928
Less: provision for slow moving inventory	(19,005)	(21,816)
	159,385	201,331

The cost of inventories recognised as an expense during the year was KShs 799,824,950 (2022: KShs 650,422,209).
The cost of inventories recognised as an expense includes KShs 1,722,803 (2022: KShs 6,634,616) in respect of provisions for slow moving inventory.

17 TRADE AND OTHER RECEIVABLES

	2023 KShs'000	2022 KShs'000
Trade receivables	137,844	63,033
VAT recoverable	54,061	22,210
Staff debtors	9,178	10,990
Prepayments and other receivables	13,428	24,564
Due from related parties (note 24)	4	1,661
	214,515	122,458
Provision for expected credit losses	-	-
	214,515	122,458
Movement in provision for expected credit losses		
At 1 April	1,873	1,873
Decrease in provision during the year	-	-
At 31 March	1,873	1,873

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.

Notes (continued)

18 CASH AND BANK BALANCES

	2023 KShs'000	2022 KShs'000
Bank and cash balances	67,058	57,212
Short term bank deposits	527,952	525,103
	595,010	582,315

The short-term bank deposits mature within 90 days.

The effective interest rate on the short-term deposits as at 31 March 2023 was 9.85% (2022: 8.50%) Per annum. The fair values of short-term deposits approximate their carrying amounts largely due to the short-term maturities of these instruments.

19 SHARE CAPITAL

	2023 KShs'000	2022 KShs'000
Authorised:		
9,780,000 ordinary shares of KShs 5 each	48,900	48,900
Issued and fully paid:		
7,824,000 ordinary shares of KShs 5 each	39,120	39,120

OTHER RESERVES

Other reserves are made up of the following reserves;

	Revaluation reserves KShs'000	Remeasurement reserves KShs'000	Total KShs'000
31 March 2023			
At start of year	404,725	-	404,725
Revaluation reserve release on disposal	-	1,150	1,150
Deferred income tax	-	(344)	(344)
Transfer of excess depreciation	-	(27,998)	(27,998)
Deferred income tax on excess depreciation	-	8,399	8,399
	404,725	(18,793)	385,932
31 March 2022			
At start of year	374,936	-	374,936
Other comprehensive income	19,014	2,410	21,424
Deferred income tax	(5,704)	(723)	(6,427)
Transfer of excess depreciation	21,132	-	21,132
Deferred income tax on excess depreciation	(6,340)	-	(6,340)
	403,038	1,687	404,725

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

Notes (continued)

20 DEFERRED INCOME TAX

	2023 KShs'000	2022 KShs'000
Deferred income tax liabilities:		
Property, plant and equipment		
- costs	197,275	130,385
- revaluation surplus	111,055	119,109
Biological assets	81,622	65,212
Unrealised exchange gains	5,760	282
Financial assets at fair value through profit or loss	2,136	710
Post-employment benefits obligation	2,365	723
	400,213	316,421
Deferred income tax assets:		
Post employment benefits obligation	(23,304)	(27,970)
Other deductible differences	(11,689)	(9,566)
	(34,993)	(37,536)
Net deferred income tax liabilities	365,220	278,885

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

	2023 KShs'000	2022 KShs'000
At start of year	278,885	268,738
Charge for the year	83,246	8,675
Under provision in prior years	-	749
Charge to other comprehensive income	3,089	723
At end of year	365,220	278,885

21 POST-EMPLOYMENT BENEFITS OBLIGATION

	2023 KShs'000	2022 KShs'000
At start of year	95,646	140,767
Charge/ (credit) to profit or loss (note 6)	17,399	(27,728)
Payments made in the year	(19,599)	(14,983)
Re-measurement gain recognised through OCI	(7,883)	(2,410)
At end of year	85,563	95,646

The significant actuarial assumptions used were as follows:

The Company holds gratuity provisions for its unionisable employees in line with the requirements of IAS 19. The scheme is unfunded and hence no assets have been set aside to meet the benefits under the arrangement. The Company pays benefits from general revenues as and when they arise.

Notes (continued)

21 POST-EMPLOYMENT BENEFITS OBLIGATION (continued)

	2023	2023
Discount rate (%)	14.0	13.7
Future salary increases (% p.a)	10.0	10.0
Mortality (pre-retirement)	A1949-1952	A1949-1952
Mortality (post-retirement)	N/a	N/a
Retirement Age	Age 55	Age 55

A sensitivity analysis has been determined on the discount rate and the future salary increase assumptions based on reasonably possible changes of the assumption occurring at the end of the reporting period, while holding all other assumptions constant:

- If the discount rate is 1% higher (lower), the defined benefit obligation would decrease by KShs 4,636,000 (increase by KShs 5,112,000).
- If the expected rate of salary growth increases (decreases) by 1%, the defined benefit obligation would increase by KShs 5,249,000 (decrease by KShs 5,249,000).

For the above sensitivity analysis, the present value of the defined benefit obligation has been determined using the Projected Unit Credit Method at the end of the reporting period, which is the same as that applied in the statement of financial position.

22 TRADE AND OTHER PAYABLES

	2023 KShs'000	2022 KShs'000
Trade payables	32,186	18,570
Other payables and accrued expenses	88,876	56,524
Payable to outgrowers	23,878	22,479
Due to related parties (note 24)	10,055	20,134
	154,995	117,707

23 CASH GENERATED FROM OPERATIONS

Profit before income tax	454,721	303,013
Adjustments for:		
Depreciation of property and equipment (note 11)	99,316	98,192
Right of use assets amortisation (note 12)	222	432
Amortisation of intangible assets (note 13)	162	92
Loss on disposal of property, plant and equipment	8,390	21,900
Fair value adjustments - biological assets (note 15 (a))	(59,137)	(64,298)
Fair value gain on financial assets (note 14)	(34)	(13,486)
Fair value adjustments- unharvested green leaf	(1,690)	13,281
Decrease due to own use - fire wood and fuel trees (note 15 (a))	8,147	6,518
Interest paid	-	34
Interest received	(34,852)	(31,220)
Net foreign exchange gains	(36,671)	(96)
Dividend received	(1,876)	-
Changes in working capital items:		
- inventories	41,946	19,241
- trade and other receivables	(92,057)	54,825
- trade and other payables	37,288	(64,590)
- dividend payable	455	2
- provision for service gratuity	(10,082)	(45,121)
Cash generated from operations	414,248	298,719

Notes (continued)

24 RELATED PARTY TRANSACTIONS

The company transacts with other companies related to it by virtue of common shareholding. During the year the following transactions were entered into with related parties:

Purchase of goods/services:

	2023 KShs'000	2022 KShs'000
Royalties and licences - George Williamson & Co Limited	66,035	51,703
Central costs recharges - Williamson Tea Kenya Plc	70,344	55,128
ATH spares and machines - Williamson Tea Kenya Plc	36,061	9,596
Tea purchases - Williamson Fine Tea Limited	15,714	-
	188,154	116,427

The outstanding balances with related parties were as follows:

	2023 KShs'000	2022 KShs'000
Due from:		
Kaimosi Tea Estates Limited	4	1,434
Williamson Power Limited	-	227
	4	1,661
Due to:		
Tinderet Tea Estates (1989) Limited	351	140
Williamson Tea Kenya Plc	9,704	19,994
	10,055	20,134

Terms of the related party balances

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

Compensation of directors and key management personnel

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

	2023 KShs'000	2022 KShs'000
Directors' emoluments		
Non -executive directors	12,292	12,450
Executive directors	306	378
	12,598	12,828
Key management remuneration		
Salaries and other benefits	17,279	16,414

Notes (continued)

24 RELATED PARTY TRANSACTIONS (continued)

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

25 CONTINGENT LIABILITIES

	2023 KShs'000	2022 KShs'000
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

	2023 KShs'000	2022 KShs'000
Authorised and contracted for	38,356	51,914
Authorised but not contracted for	11,389	8,184
	49,745	60,098

The capital commitments relate to the company's capital budget for 2023. 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 2023.

	2023 KShs'000	2022 KShs'000
Share capital	39,120	39,120
Revaluation surplus	384,289	403,038
Retained earnings	1,442,826	1,181,566
Equity	1,866,235	1,623,724
Cash and cash equivalents (Note 18)	595,010	582,315
Gearing ratio	N/A	N/A

The company had no borrowing as at year end (2022: KShs Nil).

Notes (continued)

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

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

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

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

Notes (continued)

28 FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

31 March 2023

	Note	Internal/ external rating	12 months or lifetime ECL	Gross carrying amount KShs'000	Loss allowance KShs'000	Net amount KShs'000
Trade and other receivables		Performing	Lifetime ECL (simplified approach)	153,145	(1,873)	151,272
Staff receivables	17	Performing	General measurement model	9,178	-	9,178
Due from related companies	17	Performing	General measurement model	4	-	4
Short term deposits	18	Performing	12 months ECL	527,952	-	527,952
Bank balances	18	Performing	12 months ECL	67,058	-	67,058
				757,337	(1,873)	755,464

31 March 2022

	Note	Internal/ external rating	12 months or lifetime ECL	Gross carrying amount KShs'000	Loss allowance KShs'000	Net amount KShs'000
Trade and other receivables		Performing	Lifetime ECL (simplified approach)	89,470	(1,873)	87,597
Staff receivables	17	Performing	General measurement model	10,990	-	10,990
Due from related parties	17	Performing	General measurement model	1,661	-	1,661
Short term deposits	18	Performing	12 months ECL	525,103	-	525,103
Bank balances	18	Performing	12 months ECL	57,212	-	57,212
				684,436	(1,873)	682,563

Bank balances

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

Trade and other receivables – days past due							
31 March 2023	**Not Due**	**< 30**	**31 – 60**	**61 - 90**	**91 - 120**	**> 120**	**Total**
Gross carrying amount -Trade receivables (KShs)	85,522	45,653	284	6,054	-	331	137,844
Gross carrying amount –Other receivables (KShs)	13,428	-	-	-	-	1,873	15,301
Expected credit Loss allowance (KShs)	-	-	-	-	-	(1,873)	(1,873)
Net amount	98,950	45,653	284	6,054	-	331	151,272

Notes (continued)

28 FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

Bank balances (continued)

31 March 2022	Not Due	< 30	31 – 60	61 - 90	91 - 120	> 120	Total
Gross carrying amount - Trade receivables (KShs)	59,942	351	263	2,440	-	37	63,033
Gross carrying amount – Other receivables (KShs)	24,564	-	-	-	-	1,873	26,437
Expected credit Loss allowance (KShs)	-	-	-	-	-	(1,873)	(1,873)
Net amount	84,506	351	263	2,440	-	37	87,597

Staff receivables

The company has applied the general measurement model 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 2023 (on adoption of IFRS 9) was determined as follows for staff receivables:

31 March 2023	Not Due	< 30	31 – 60	61 - 90	91 - 120	> 120	Total
Gross carrying amount - Staff receivables (KShs)	1,009	-	-	-	-	8,167	9,176
Expected credit Loss allowance (KShs)	-	-	-	-	-	-	-
Net amount	1,009		-	-	-	8,167	9,176

31 March 2022	Not Due	< 30	31 – 60	61 - 90	91 - 120	> 120	Total
Gross carrying amount - Staff receivables (KShs)	1,621	-	730	-	-	8639	10,990
Expected credit Loss allowance (KShs)	-	-	-	-	-	-	-
Net amount	1,621	-	730	-	-	8639	10,990

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

If the ECL rates on trade receivables had been 10% higher (lower) as of 31 March 2023, the loss allowance on trade receivables would have been KShs 310,201 higher (lower).

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

Notes (continued)

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 to ensure it has sufficient cash to meet its operational needs.

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 KShs'000	1-3 months KShs'000	3-12 months KShs'000	1-5 years KShs'000	Total KShs'000
At 31 March 2023					
Trade payables	32,186	-	-	-	32,186
Due to a related company	10,055	-	-	-	10,055
Total financial liabilities	42,241	-	-	-	42,241
At 31 March 2022					
Trade payables	18,570	-	-	-	18,570
Due to a related company	20,134	-	-	-	20,134
Total financial liabilities	38,704	-	-	-	38,704

Market risk

Market Risk is the risk of loss arising from potential adverse changes in the value of the Company assets and liabilities due to fluctuations in market risk factors such as interest rate risk (IRR) and foreign exchange rates (FX risk).

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency. In order to manage the foreign exchange risk, the Company deal with the major currency that can withstand market pressures. Exchange rate exposures are also managed within approved policy parameters and hedging. The sensitivity analysis below shows the Company did not have material exposure to foreign exchange risk.

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

Notes (continued)

28 FINANCIAL RISK MANAGEMENT (Continued)

Market risk (continued)

(i) Foreign exchange risk (continued)

	USD Shs'000	GBP Shs'000	Total Shs'000
2023			
Assets			
Bank and cash balances	55,081	502	55,583
Trade receivables	137,844	-	137,844
	192,925	502	193,427
2022			
Assets			
Bank and cash balances	52,301	467	52,768
Trade receivables	63,033	-	63,033
	115,334	467	115,801

Foreign exchange risk - appreciation/depreciation of KShs 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.

	2023 KShs'000		2022 KShs'000	
	Effect on profit before tax	Effect on equity	Effect on profit	Effect on equity
Currency - GB pounds				
+ 1 percentage point movement	5	4	5	4
-1 percentage point movement	(5)	(4)	(5)	(4)
Currency - US dollars				
+ 1 percentage point movement	1,929	1,350	1,153	807
- 1 percentage point movement	(1,929)	(1,350)	(1,153)	(807)

Notes (continued)

28 FINANCIAL RISK MANAGEMENT (Continued)

Market risk (continued)

(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 loan balances for the year under review, therefore not susceptible to interest rate risk in this year.

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 EVENTS AFTER PERIOD END

We have assessed the impacts of the Russian invasion of Ukraine and other than the general impact on the global economy, no specific impacts of the invasion on the Company have been identified.

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