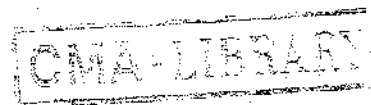


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WILLIAMSON TEA  
KENYA LIMITED

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*Report*

— & —

*Accounts*

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H4  
9198  
K46  
W55  
2002  
C.2

ABBREVIATIONS

W. Executive

W. Executive

W. Executive

W. Executive

31 March 2002

AM-R





REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2002

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## NOTICE OF THE MEETING

NOTICE IS HEREBY GIVEN that the Fifty Second ANNUAL GENERAL MEETING of the shareholders will be held at the Nairobi Club, Ngong Avenue, on 25th July 2001 at 10.00 a.m. for the purposes of attending to the ordinary and special business as set out below:

1. To receive and adopt the report of the directors together with the audited financial statements for the year ended 31 March 2002.
2. To declare a dividend.
3. To elect directors:
  - (i) Messrs R.B. Magor and N.G. Sandys-Lumsdaine retire by rotation and being eligible, offer themselves for re-election.  
  
Mr. R.B. Magor has attained the age of 84 years and retires in accordance with Section 186(2) of the Company's Act. Special Notice has been received in accordance with Section 186(5) of the Company's Act that he be re-elected a director of the Company at the Fifty Second Annual General Meeting.
  - (ii) In accordance with Article 114 of the Articles of Association Mr. E.N.K. Wanjama was appointed a director of the Company on June 4th 2002, and being eligible offers himself for re-election.
4. To approve the remuneration of the directors.
5. To authorise the directors to fix the remuneration of the auditors.
6. Special Business:
  - (i) To consider, and if approved, to adopt a special resolution "that the Articles of Association be and are hereby altered to include the provision of the Central Depositories Act 2000 as amended or modified from time to time and shall apply to the Company to the extent that any securities of the Company are in part or in whole immobilized or dematerialized or are required by the regulations or rules issued under the Central Depositories Act to be immobilized or dematerialized in part or in whole, as the case may be. Any provisions of these articles that are inconsistent with the Central Depositories Act or any regulations or rules issued or made pursuant thereto shall be deemed to be modified to the extent of such inconsistencies in their application to such securities. For the purpose of these articles of association, immobilization and dematerialization shall be construed in the same way as they are construed in the Central Depositories Act."  
  
"Where any securities of the Company are forfeited pursuant to these articles of association after being immobilized or dematerialized, the Company shall be entitled to transfer such securities to a securities account designated by the directors for this purpose."
  - (ii) To consider and if thought fit, to pass the following resolution:- "That the directors be and are hereby authorized to grant loans from time to time to the executive directors of the Company in accordance with Section 191(1)(iii) and 191(2)(a) of the Companies Act Chapter 486 of the Laws of Kenya."
7. To transact such other competent business as may be brought before the meeting.

BY ORDER OF THE BOARD.

A.M. MULILA  
SECRETARY

5th June 2002

2007/1258

A member entitled to attend and vote at the Annual General Meeting is entitled to appoint another person as his/her proxy to attend and vote instead of him/her, and such proxy, need not also be a member of the company.

A form of proxy is provided with this report which shareholders who do not propose to be at the meeting are requested to complete and return to the registered office of the company so as to arrive not later than twenty four hours before the meeting.



WILLIAMSON TEA KENYA LIMITED  
*Incorporated 15 December 1952*

COMPANY INFORMATION

SHARE CAPITAL	Authorised:	
	17,512,640 ordinary shares of Sh. 5/- each, Sh. 87,563,200	
	Issued and fully paid:	
	8,756,320 ordinary shares of Sh. 5/- each, Sh. 43,781,600	
GROUP COMPANIES	Tea production companies:	
	Williamson Tea Kenya Limited	- CHANGOI ESTATE (Incorporating I.ELSA ESTATE)
	Kaimosi Tea Estates Limited (wholly owned)	- KAIMOSI ESTATE
	Tinderet Tea Estates (1989) Limited (82% owned)	- TINDERET ESTATE
	Kapchorua Tea Company Limited - (39.56% owned)	- KAPCHORUA ESTATE
	Other wholly owned companies:	
	Tea Properties Limited	- PROPERTY INVESTMENT
	Williamson Power Limited	- SALE OF GENERATORS
	Tea Manufacturing and Supplies Limited	- DORMANT
	Lelsa Tea Estates Limited	- DORMANT
	Other:	
	Williamson Developments Limited - (50% owned)	- PROPERTY MANAGEMENT

DIRECTORS AND PROFESSIONAL ADVISERS

DIRECTORS	N G Sandys-Lumsdaine* - Chairman
	E A Bristow
	S C A Koech
	P Magor*
	R B Magor*
	H Salwegter**
	D B White
	* British
	** Netherlands
SECRETARY	A M Mulila P O Box 42281, Nairobi
REGISTERED OFFICE	Williamson House, 9th Floor, 4th Ngong Avenue P O Box 42281, Nairobi
AUDITORS	Deloitte & Touche "Kirungii", Ring Road, Westlands, P O Box 40092, Nairobi
BANKERS	Barclays Bank of Kenya Barclays Plaza Business Centre, P O Box 46661, Nairobi
	Standard Chartered Bank Kenya Limited Kenyatta Avenue Branch, P O Box 40310, Nairobi
	Kenya Commercial Bank Limited Moi Avenue Branch, P O Box 30081, Nairobi
LAWYERS	Kaplan & Stratton Queensway House, Kaunda Street P O Box 40111, Nairobi



## CHAIRMAN'S STATEMENT

During the past year, the tea growing conditions have been generally favourable, if not quite as good as in the previous year, which produced record yields per hectare. The high yields from our own estates failed to compensate fully for the drop in outgrowers crop especially with termination of the contract with Nyayo Tea Zones Corporation, hence an overall drop in production. In addition there has been a decline in market prices which, on some occasions, have been so low as to cease to cover our production costs. For so long as the favourable climatic conditions continue the country's tea production will remain ahead of demand and prices are unlikely to recover. At the same time the tea industry is being particularly hard hit with increases in electricity tariffs, on top of inflation driven increases in costs generally. We can predict nothing other than a difficult future until such time as world tea prices improve or the Kenya shilling might devalue.

An additional consideration for the current year is the recently concluded Collective Bargaining Agreement with the Plantation and Agricultural Workers Union where wage increases of 6% for 2002 and 7 1/2% for 2003 have been agreed, which will increase costs still further.

Our Estates continue to produce good teas notwithstanding the necessarily stringent pressures on containing costs.

We are pleased to be able to report that a number of new contracts with outgrowers have been established, and in the current year this will largely offset the termination of the management contract for the Nyayo Tea Zones Corporation, which I reported on last year.

In spite of the reported loss your Directors are recommending payment of a Dividend of Shs.0.50 per share (2000/2001 Shs.5/=).

### TEA

Crop in Kgs. of made tea on our Estates was as follows:-

	2002	2001	2000
Changoi	3,647,646	3,979,551	3,529,654
Kaimosi	2,149,817	2,950,876	2,290,470
Tinderet	1,715,720	2,004,809	1,689,552

The above totals include 1,186,796Kgs (2001 - 1,986,151Kgs) of made tea from outgrowers leaf, which for the past year included no tea from Nyayo Tea Zones Corporation (2001 - 900,778 kgs).

### CAPITAL INVESTMENT

During the year, we incurred capital expenditure of Shs.88,330,000/= on our Estates for further areas of both tea and timber planting, buildings, schools, labour housing, and improvements in transport. The purchase of new equipment for our factories which is vital if we are to keep abreast of latest technological developments has been financed by further draw downs against development loans.

### PROPERTY

No changes were made to our portfolio during the year.



## CHAIRMAN'S STATEMENT (Continued)

### ENGINEERING

Trading has been difficult due to both severe competition and the continuing depressed state of the economy. However we are steadily strengthening our position in the market, and a modest profit was achieved.

### ENVIRONMENT

The ongoing destruction of indigenous forests has to lead to an irredeemable deterioration in climatic conditions for the country as a whole, and unless halted this will amount to a national disaster. We continue to lobby the authorities at every opportunity, and I am pleased to be able to report that through the Nandi Branch of the Kenya Tea Growers Association a start has been made on replanting with indigenous varieties some 12 Hectares of earlier felled forest in Nandi Hills.

Forest destruction around our Estates has most certainly contributed to increased incidences of hailstorms. At Tinderet alone there were 25 hailstorms during the year (compared with a past average of 14 a year), resulting this year in an estimated loss of 149,000 kgs of made tea. Continuing destruction of our neighbouring forests continues to be a great concern as they are vital to maintain the rainfall patterns.

On our Estates we continue to consolidate our fuel and timber plantations of eucalyptus, pine and cypress, as well as to plant a wide variety of species of indigenous trees and bamboos.

### SOCIAL CONTRIBUTION

The major salient facts under this heading include:-

- i) There are now 4830 workers and over 20,000 dependants within the Group Estates. We now operate 4 primary schools, 1 secondary school, and 5 health clinics. In addition we are always on the lookout for opportunities to increase the range and quality of welfare facilities for our workers and their families.
- ii) The Group's foreign currency net sales amounted to the equivalent of Shs.722,551,000 (2001 Shs1,029,000,000).
- iii) The Group has paid to the Government corporation tax of Shs.33,794,000 and agricultural produce cess to the Tea Board of Kenya of Shs.8,357,000 for disbursement to the local councils and tea road cess committees where we operate.
- iv) Total expenditure on the provision of various social welfare, health and educational facilities amounted to Shs.61,166,000.
- v) We continue to hold awards of Certificates of compliance from the Tea Sourcing Partnership in the United Kingdom, confirming the high standards of our operating procedures and social accountability.

### STAFF

Our General Managers at the Estates remain unchanged, with Bill Sainna at Changoi, Samuel Thumbi at Kaimosi and Tom Lloyd at Tinderet, while Solomon Koech and Zabron Mugo continue as Visiting Agent/Technical Director and Group Engineer respectively.

On behalf of us all, I would wish to thank them along with their management and staff at all levels, together with our Nairobi Office and Engineering staff, for their overall performance. The attainment of targets set when times are hard takes a lot more effort than when times are less demanding, and to have done as well as they have, in very difficult circumstances, amounts to a commendable achievement.





## CHAIRMAN'S STATEMENT (Continued)

### DIRECTORS

Eric Kimani, resigned and has since been appointed the Managing Director of the Kenya Tea Development Agency. Eric has been with us as a Financial Controller and then Finance Director and more recently as one of our Non Executive Directors leaving us at the end of October 2001. He has served the Group extremely well during this period and we will be the poorer for his leaving. We wish him and Margaret, his wife, every success in whatever challenges the future might now hold for them.

The recently published Capital Market Authority recommendations on corporate governance require that we appoint a new director in his place. Following the signing of the accounts, the Directors have appointed Mr. E.N.K. Wanjama to the Board on June 4th 2002. Ezekiel is no stranger to Tea having been Secretary to the Tea Board of Kenya from 1980 to 1989 and also Chief Executive Officer (CEO) of the Kenya Tea Development Authority in 1989 to 1990. He now runs his own Law Practice.

At this stage I would draw attention to the notes on Corporate Governance included in the Directors Statement of Responsibilities. I would like to assure you that your Board meets regularly and gives due consideration to all the aspects of good governance referred to, and on your behalf I would like to thank them for the diligence with which they discharge their duties.

N.G SANDYS-LUMSDAINE  
Chairman

Nairobi  
5th June 2002.



## NAKALA YA MWENYEKITI

Kwa mwaka uliopita hali ya ukuuzaji majani chai iliendelea kufaa zaidi hata ingawa haikufikia mwaka uliotangulia, wakati ambao mazao ya juu zaidi yalipatikana kwa kila hekari. Hata hivyo, mapato haya mazuri yalifuatwa na upungufu wa bei ya majani katika masoko yote. Nyakati zingine bei ya mauzo kwa kila kilo ilimalizia kuwa ya chini wakati mwingine hata chini ya gharama ya kuzalisha mazao haya.

Hali hii bora ya ukuzaji ikiendelea hivi, mazao ya majani chai yataendelea kuongezeka lakini bei haitaimarika. Wakati huo huo gharama ya nguvu za umeme na gharama zinginezo ziliendelea kupanda juu. Hivi sasa tunabashiri hali ngumu kwa siku za usoni mpaka siku ambayo bei katika masoko ya kimataifa itakapomalika au shillingi ya Kenya itakapopungua dhamana yake.

Jambo lingine ambalo ni muhimu kufahamu ni kwamba mwaka huu chama cha wafanyi kazi na kile cha uajiri, waliafikiana kwa mkataba wa nyongeza ya mshahara kwa asilimia sita mwaka wa 2002 na asilimia saba na nusu mwaka ujao wa 2003. Na hii itaongezea gharama zaidi.

Mashamba yetu yanaendelea kutengeza chai ya hali njema hata ingawa kila juhudi zinafanywa kwa kupunguza na kukadiri gharama ya kuzalisha mazao.

Tunafuraha kuwajulisha ya kwamba sasa tumefanya mikataba na wakulima kadhaa wa nje ambao watachangia kupunguza ile hasara tuliyopata kwa kupoteza, ile mkataba wa "Nyayo Tea Zone Corporation," niliowaarifu mwaka uliyopita.

Hata ingawa mwaka huu tumepata hazara, wakurugenzi wenu wamependekeza gawio la Sumuni kwa kila hisa moja, mwaka uliopita (2000/2001 - Shs. 5/=.)

### CHAI

Mazao yaliyopatikana kwa kilo yalikuwa kama ifuatavyo:-

	2002	2001	2000
CHANGOI	3,647,646	3,979,551	3,529,654
KAIMOSI	2,149,817	2,950,876	2,290,470
TINDERET	1,715,720	2,004,809	1,689,552

Jumla zilizoonyeshwa hapa juu ni pamoja na kilo 1,186,796 (2001, Kilo 1,986,151) za chai ya wakuzaji wa nje, ambazo kwa mwaka uliopita hatukuwa na chai ya Nyayo Tea Zones Corporation (2001 kilos 900,778).

### RASIMALI

Hapo mwakani jumla ya Shs. 88,330,000/= zilitumika kwa mipango ya kugharamia rasilimali kwa mashamba yetu yote. Hii ni pamoja na upandaji michai, ujenzi wa manyumba, mashule, makao ya wafanyi kazi na kustawisha uchukuzi.

Tuliendelea kutumia mkopo wa maendeleo kwa kununua mitambo mipya ya viwandani ilikuimaliza zaidi njia za kuzalisha chai bora kulingana na viwango vya kisasa.

### MALI

Hatukuwa na mabadiliko yoyote mwaka huu.

### UHANDISI

Biashara ziliendelea kuwa ngumu kufuatia mashindano kutoka kampuni zingine na pia hali ya chini ya kiuchumi nchini. Ingawa tunaendelea kathabiti viwango vyetu katika soko hili kwa faida kidogo iliyopatikana.

### MAZINGARA

Kuendelea kuharibiwa kwa misitu ya kiasili kumcsabisha uharibifu mukubwa usiokomboleka. Uharibifu huu usiposimamishwa utasababisha maangamizo ya kitaifa hasa kuhusu hali ya hewa nchini.

Tunaendelea kusihhi Serikari kila tuwezapo na nina furaha kuwajurisha ya kwamba kupitia tawi la Nandi la wakuza majani wa mashamba makubwa makubwa sasa upandaji wa miti ya kiasili umeanzishwa kwa hekari kumi na mbili,



## NAKALA YA MWENYEKITI (Yaendelea)

kule misitu ya Nandi Hills.

Kuangamizwa kwa misitu karibu na mashamba yetu kumesababisha ongezeko la mvua ya mawe. Ambapo, Tinderet, kulikawa na uharibifu wa mvua ya mawe mara ishirini na tano mwaka huu, ikilinganishwa na mara kumi na nne pekee mwaka uliopita. Hasara hii kwa jumla ni Kilo 149,000 ya chai iliyotengezwa.

Kuendelea kuharibiwa kwa misitu tuliopakana nayo ni jambo tunaendelea kushughulikia ili liziendelee kwa ajili ya kuendelea kupata mvua.

Kote mashambani tumepanda miti ya kuni kama "Eucalyptus", "Pine" na "Cypress" na pia tunaendelea kupanda miti ya kiasili pamoja na bamboo.

### MCHANGO WA MAMBO YA JAMII

Mambo makubwa chini ya dibaji hii ni pamoja na:

- (i). Sasa kuna wafanyi kazi 4,830 walioajiriwa, na 20,000 wanaotegemea kote kwa kundi letu.  
Tunaendelea shule nye za msingi, shule moja ya upili na vituo vitano vya afya.  
Kale tutaweza tutaendelea kutoa huduma na vifaa bora vya kustarehesha wafanyi kazi wetu pamoja na jamii zao.
- (ii). Pesa zetu za kigeni tulizozipata zilikuwa Sh.722,551,000 (2001 1,029,000,000).
- (iii). Kampuni hii na viunga vyake imelipa serikali kodi ya Shs.33,794,000, na kodi zingine za Tea Board of Kenya za Sh.8,357,000 ambazo zinatunika kwa mabaraza ya miji na pia kwa kamiti ya kusitawisha mabarabara katika wilaya zile tunakua chai.
- (iv). Kampuni zetu zilitumia Sh.61,166,000 kama rasilimali ya kutoa huduma bora hasa vifaa vya elimu na afya kote kundini.
- (v). Tunaendelea kuhifadhi vyeti vya kukubaliana na mapendekezo ya "Tea sourcing partnership" ya uingereza. Hii inathibitisha kwamba hali ya viwango vya juu kwa ubora wa jinsi tunavyotengeza chai na pia vile tunazingatia usalama wa wafanyi kazi wetu imetokelezwa.

### WAFANYI KAZI

Hakuna mabadiliko kwa mameneja wetu wakuu, Bill Samna akiwa Changoi, Samuel Thumbi akiwa Kaimosi na Tom Lloyd akiwa Tinderet.

Wakati huo huo Solomon Koech amendelea kama mkurugenzi mtendaji kote kundini na Zabron Mugo ndiye mhandisi.

Kwa niaba yetu zote ningependa kwashukuru wote pamoja na wafanyikazi wao na pia wale wafanyi kazi wetu wa ofisi ya Nairobi na wale wa kazi ya uhandisi kwa kazi yao nzuri na kwa kuafikia shabaha zilizotarajiwa kwa wakati mgumu kuna huu wa sasa.

### WAKURUGENZI

Bwana Eric Kimani, alijiuzulu, alipoajiriwa kama mkurugenzi mkuu wa "Kenya Tea Development Authority", awali, Eric alikuwa akisimamia mambo ya kifedha na baadaye aliajiriwa kuwa mkurugenzi wa fedha. Na hivi karibuni hadi hapo Oktoba 2001 wakati alipojiuzulu alikuwa anatenda kama mkurugenzi ambaye hajaajiriwa. Alihudumia kote kundini wakati huo wote vyema na tutakosa huduma zake. Tunamtakia kila la heri yeye na bibi yake Margaret kwa siku za usoni.

Kufuatia mapendekezo ya "Capital Market Authority" kuhusu uendezaji bora wa makampuni inapendekezwa mkurugenzi mwingine atuliwe. Kufuatia kutiwa sahihi daftari ya hesabu hii, mnamo June tarehe nne mwaka huu mkurugenzi walimteua Bwana Ezekiel N.K. Wanjana kuwa moja wa wakurugenzi. Ezekiel si mgeni kwa mambo ya chai kwani amewahi kufanya kazi kama Katibu Mkuu wa hali mashauri ya majani chai ya Kenya, kwanzia mwaka wa 1980 hadi 1989. Na baadaye alikuwa Mkuu wa Kenya Tea Development Authority mwaka wa 1989 mbaka mpaka wa 1990. Hivi sasa anaendelea na kazi yake binafsi ya Kisheria.



## NAKALA YA MWENYEKITI (Yaendelea)

Mpaka hapo, ningependelea kuwajulisha ya kwamba mambo ya kuendelea kampuni hii kama vile ilivyopendekezwa kwa taarifa ya wakurugenzi. Ninawahakikishia ya kwamba wakurugenzi wenu hukutana mara kwa mara ili kushughulikia mambo ya uendeleaji bora wa kampuni na kwa niaba yenu ninatoa shukurani kwao kwa kutimiza wajibu huu.

5th June, 2002.  
NAIROBI



## REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements of the group for the year ended 31 March 2002.

### ACTIVITIES

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

### RESULTS

	Sh'000
Loss before taxation	38,300
Taxation - Credit	(774)
Loss after taxation	37,526
Minority interest	(3,091)
Net loss for the year	34,435

### DIVIDENDS

The directors recommend the payment of a first and final dividend of Sh 0.50 per share, totalling Sh 4,378,000 in respect of the year.

### DIRECTORS

The current board of directors is shown on page 2.

E M Kimani resigned as a director on 9 October 2001.

In accordance with article 106 of the articles of association, Mr N G Sandys-Lumsdaine retires by rotation and, being eligible, offers himself for re-election.

Mr R B Magor, who has attained the age of 84 years, retires by rotation. Special notice has been received pursuant to Section 142 of the Companies Act, and a resolution will be considered at the Annual General Meeting to propose his re-election as a director of the company.

### COMPANY SECRETARY

D B White resigned as secretary on 15 July 2001 and was replaced by A M Mulila on the same date.

### AUDITORS

Deloitte & Touche, having expressed their willingness, continue in office in accordance with the provisions of section 159 (2) of the Companies Act.

### BY ORDER OF THE BOARD

A M MULILA  
Secretary

16 May 2002



## STATEMENT OF DIRECTORS' RESPONSIBILITIES

### Financial Statements

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group as at the end of the financial year and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- ◆ Select suitable accounting policies and then apply them consistently;
- ◆ Make judgements and estimates that are reasonable and prudent;
- ◆ State whether applicable accounting standards have been followed;
- ◆ Prepare the financial statements on the going concern basis unless it is inappropriate to presume that each company in the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of each company in the group and to enable them to ensure that the financial statements comply with the Companies Act. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Accounting Standards and the requirements of the Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and the group and of the loss of the group. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of the financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the directors to indicate that the company will not remain a going concern for at least twelve months from the date of this statement.

### Corporate Governance

The Capital Markets Authority published Legal Notice number 13 in the Special Issue dated 18 January 2002 of the Kenya Gazette supplement number 4, Capital Markets Regulations and Disclosure Requirements for Public Offers and Listing of Securities. These regulations and disclosure requirements came into effect on 7 January 2002. The Capital Markets Authority published notice number 369 in the Kenya Gazette issue dated 25 January 2002, Guidelines on Corporate Governance Practices By Public Listed Companies in Kenya. These guidelines came into effect on 14 January 2002.

Recommendations contained within the guidelines include:

- ◆ Keeping the core strategy under review;
- ◆ Monitoring progress towards agreed objectives;
- ◆ Overseeing corporate management and operations;
- ◆ Meeting its responsibilities to shareholders; and
- ◆ Reviewing the adequacy of the internal control and management information systems.

The board of directors meets regularly to direct and manage the company's business according to essential standards of good corporate governance.

An audit committee has been in operation since 9 February 1999 and it is playing a key role in ensuring these activities receive all due consideration.

The directors are committed to adopting good corporate practices. They are currently considering and taking advice on action called for to ensure full compliance with the guidelines in those areas where this is not yet the case.



## REPORT OF THE AUDITORS TO THE MEMBERS OF WILLIAMSON TEA KENYA LIMITED

We have audited the financial statements on pages 13 to 37 and have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

### **Respective responsibilities of directors and auditors**

As described on page 11, the directors are responsible for the preparation of the financial statements. Our responsibility is to express an opinion on those financial statements based on our audit.

### **Basis of opinion**

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the directors, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

### **Opinion**

In our opinion:

- (a) proper books of account have been kept by the company and the company's balance sheet is in agreement therewith;
- (b) the financial statements give a true and fair view of the state of affairs of the company and the group at 31 March 2002 and of the loss and cash flows of the group for the year then ended in accordance with International Accounting Standards and comply with the Companies Act.

DELOITTE & TOUCHE

30 May 2002



CONSOLIDATED INCOME STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2002

	Note	2002 Sh'000	2001 Sh'000
TURNOVER	2	1,010,236	1,255,517
COST OF SALES		817,788	832,934
GROSS PROFIT		192,448	422,583
OTHER OPERATING INCOME		10,047	8,140
DISTRIBUTION COSTS		(108,922)	(104,411)
ADMINISTRATIVE EXPENSES		(119,259)	(101,921)
OPERATING (LOSS)/PROFIT	3	(25,686)	224,391
NET FINANCE COSTS	5	(5,122)	(13,155)
SHARE OF RESULTS OF ASSOCIATED COMPANIES		(7,492)	4,303
(LOSS)/PROFIT BEFORE TAXATION		(38,300)	215,539
TAXATION CREDIT/(CHARGE)		774	(74,955)
(LOSS)/PROFIT AFTER TAXATION	7	(37,526)	140,584
MINORITY INTEREST	21	3,091	(4,346)
NET (LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS		(34,435)	136,238
(LOSS)/EARNINGS PER SHARE	8	(Sh 3.93)	Sh 15.56

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CONSOLIDATED BALANCE SHEET  
AS AT 31 MARCH 2002

	Note	2002 Sh'000	2001 Sh'000
<b>ASSETS</b>			
Non-current assets			
Property, plant and equipment	10	1,421,647	1,373,691
Investment properties	11	300,000	301,000
Investment in associated companies	12	189,108	190,732
Other investments	14	19	19
		<u>1,910,774</u>	<u>1,865,442</u>
Current assets			
Inventories	15	115,175	237,082
Trade and other receivables	16	253,866	212,316
Due from associated companies		5,194	1,179
Taxation recoverable		2,197	1,326
Short term deposits	18	22,000	-
Cash and bank balances		73,612	140,511
		<u>472,044</u>	<u>592,414</u>
Total assets		<u>2,382,818</u>	<u>2,457,856</u>
<b>EQUITY AND LIABILITIES</b>			
Capital and reserves			
Share capital	20	43,782	43,782
Capital reserve		906,780	992,954
Revenue reserve		687,818	603,488
Proposed dividend (gross)		4,378	43,782
		<u>1,642,758</u>	<u>1,684,006</u>
Minority interest	21	<u>56,545</u>	<u>58,536</u>
Non-current liabilities			
Deferred income taxes	22	321,440	333,957
Retirement benefit obligations	23	83,907	67,370
Borrowings	24	82,350	37,683
Finance lease obligations	25	890	590
		<u>488,587</u>	<u>439,600</u>
Current liabilities			
Trade and other payables	26	142,299	237,743
Taxation payable		4,712	22,942
Borrowings (secured)	24	47,051	14,586
Finance lease obligations	25	866	443
		<u>194,928</u>	<u>275,714</u>
Total equity and liabilities		<u>2,382,818</u>	<u>2,457,856</u>

The financial statements on pages 13 to 37 were approved by the board of directors on 16 May 2002 and were signed on its behalf by:

N G SANDYS-LUMSDAINE  
D B WHITE

} Directors



# COMPANY BALANCE SHEET AS AT 31 MARCH 2002

	Note	2002 Sh'000	2001 Sh'000
<b>ASSETS</b>			
Non current assets			
Property, plant and equipment	10	680,612	668,186
Investment properties	11	235,000	235,000
Investment in associated companies	12	79,837	79,837
Investment in subsidiaries	13	111,877	111,877
Other investments	14	8	8
		<u>1,107,334</u>	<u>1,094,908</u>
Current assets			
Inventories	15	31,860	87,324
Trade and other receivables	16	116,093	64,944
Due from associated companies		8,366	5,560
Due from subsidiary companies	17	67,396	94,164
Tax recoverable		963	-
Short term deposits	18	13,000	-
Cash and bank balances		55,292	90,995
		<u>292,970</u>	<u>342,987</u>
Total assets		<u>1,400,304</u>	<u>1,437,895</u>
<b>EQUITY AND LIABILITIES</b>			
Capital and reserves			
Share capital	20	43,782	43,782
Capital reserve		482,885	561,755
Revenue reserve		528,629	456,907
Proposed dividend (gross)		4,378	43,782
		<u>1,059,674</u>	<u>1,106,226</u>
Non current liabilities			
Deferred income taxes	22	164,301	176,265
Retirement benefit obligations	23	50,270	39,212
Borrowings	24	50,710	21,701
		<u>265,281</u>	<u>237,178</u>
Current liabilities			
Trade and other payables	26	62,328	68,296
Due to subsidiary company	17	251	-
Taxation payable		-	16,892
Borrowings (secured)	24	12,770	9,303
		<u>75,349</u>	<u>94,491</u>
Total equity and liabilities		<u>1,400,304</u>	<u>1,437,895</u>

The financial statements on pages 13 to 37 were approved by the board of directors on 16 May 2002 and were signed on its behalf by:

N G SANDYS-LUMSDAINE  
D B WHITE

} Directors



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2002

	Share capital Sh'000	Capital reserve Sh'000	Revenue reserve Sh'000	Proposed dividend Sh'000	Total Sh'000
At 1 April 2000	43,782	989,165	510,414	21,891	1,565,252
Revaluation adjustment	-	(5,710)	-	-	(5,710)
Surplus realised on disposal of revalued assets	-	(618)	618	-	-
Net profit for the year	-	-	136,238	-	136,238
Dividends paid - 2000	-	-	-	(21,891)	(21,891)
Proposed dividend	-	-	(43,782)	43,782	-
Deferred taxation	-	9,229	-	-	9,229
Share of deferred taxation of associated company	-	888	-	-	888
At 31 March 2001	<u>43,782</u>	<u>992,954</u>	<u>603,488</u>	<u>43,782</u>	<u>1,684,006</u>
At 1 April 2001	43,782	992,954	603,488	43,782	1,684,006
Transfer of revaluation surplus on Investment properties	-	(121,733)	121,733	-	-
Revaluation surplus	-	32,730	-	-	32,730
Surplus on revaluation due to minority interest	-	(3,072)	-	-	(3,072)
Share of revaluation surplus of associated company	-	10,342	-	-	10,342
Surplus realised on disposal of revalued assets	-	(1,410)	1,410	-	-
Deferred taxation	-	(1,614)	-	-	(1,614)
Share of deferred taxation of associated company	-	(1,417)	-	-	(1,417)
Net loss for the year	-	-	(34,435)	-	(34,435)
Dividends paid - 2001	-	-	-	(43,782)	(43,782)
Proposed dividend	-	-	(4,378)	4,378	-
At 31 March 2002	<u>43,782</u>	<u>906,780</u>	<u>687,818</u>	<u>4,378</u>	<u>1,642,758</u>

The transfer of revaluation surplus on investment properties is as a result of the adoption of International Accounting Standard No.40 which requires that surpluses or deficits on revaluation of investment properties be dealt with in the income statement. Previously, surpluses or deficits on revaluation were transferred to capital reserves. This has now been reclassified to revenue reserve.



**COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2002**

	Share capital Sh'000	Capital reserve Sh'000	Revenue reserve Sh'000	Proposed dividend Sh'000	Total Sh'000
At 1 April 2000	43,782	564,093	397,133	21,891	1,026,899
Revaluation adjustment	-	(7,013)	-	-	(7,013)
Surplus realised on disposal of revalued assets	-	(217)	217	-	-
Net profit for the year	-	-	103,339	-	103,339
Dividend paid - 2000	-	-	-	(21,891)	(21,891)
Proposed dividend	-	-	(43,782)	43,782	-
Deferred taxation	-	4,892	-	-	4,892
At 31 March 2001	<u>43,782</u>	<u>561,755</u>	<u>456,907</u>	<u>43,782</u>	<u>1,106,226</u>
At 1 April 2001	43,782	561,755	456,907	43,782	1,106,226
Transfer of revaluation surplus on investment properties	-	(84,592)	84,592	-	-
Revaluation surplus	-	4,632	-	-	4,632
Surplus realised on disposal of revalued assets	-	(722)	722	-	-
Deferred taxation	-	1,812	-	-	1,812
Net loss for the year	-	-	(9,214)	-	(9,214)
Dividend paid - 2001	-	-	-	(43,782)	(43,782)
Proposed dividend	-	-	(4,378)	4,378	-
At 31 March 2002	<u>43,782</u>	<u>482,885</u>	<u>528,629</u>	<u>4,378</u>	<u>1,059,674</u>

The transfer of revaluation surplus on investment properties is as a result of the adoption of International Accounting Standard No.40 which requires that surpluses or deficits on revaluation of investment properties be dealt with in the income statement. Previously, surpluses or deficits on revaluation were transferred to capital reserves. This has now been reclassified to revenue reserve.



# CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2002

	Note	2002 Sh'000	2001 Sh'000
<b>OPERATING ACTIVITIES</b>			
Cash from operations	27(a)	56,865	249,754
Interest received		1,936	4,773
Dividend received - from associated company		3,869	3,869
- other		487	970
Interest paid		(9,306)	(12,336)
Terminal benefits paid		(15,399)	(7,332)
Taxation paid		(33,794)	(48,047)
Net cash from operating activities		4,658	191,651
<b>INVESTING ACTIVITIES</b>			
Purchase of investments		-	(2)
Purchase of plant and equipment		(87,058)	(78,094)
Proceeds from disposal of plant and equipment		6,227	10,196
Net cash used in investing activities		(80,831)	(67,900)
<b>FINANCING ACTIVITIES</b>			
Shareholder loan received		22,23	-
Other loans received	27(b)	35,717	13,056
Finance lease repayments		(549)	(1,170)
Dividends paid to shareholders		(43,911)	(21,447)
Dividends paid to minority interests		(1,448)	(1,159)
Net cash used in financing activities		12,041	(10,720)
INCREASE IN CASH AND CASH EQUIVALENTS		(64,132)	113,031
CASH AND CASH EQUIVALENTS AT 1 APRIL		127,722	14,691
CASH AND CASH EQUIVALENTS AT 31 MARCH	27(c)	63,590	127,722



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2002

### 1 ACCOUNTING POLICIES

The consolidated financial statements are prepared in accordance with and comply with International Accounting Standards. The principal accounting policies remain unchanged from the previous year and are set out below:

#### BASIS OF PREPARATION

The consolidated financial statements are prepared under the historical cost convention as modified by the revaluation of certain property, plant and equipment and investment properties.

#### CONSOLIDATION

The group financial statements reflect the result of the consolidation of the financial statements of the company and its subsidiaries, and include the group's share of the results of the associated companies all made up to 31 March.

#### INVESTMENTS IN ASSOCIATED COMPANIES

Investments in associated undertakings are accounted for by the equity method of accounting. These are undertakings in which the group has between 20% and 50% of the voting rights and over which the group exercises significant influence but which it does not control. Provisions are recorded for long-term impairment in value.

Equity accounting involves recognising in the income statement the group's share of the results of the associates for the year. The group's interest in the associates is carried in the balance sheet at an amount that reflects its share of the net assets of the associates. A listing of the group's principal associated undertakings is shown in note 12.

#### REVENUE RECOGNITION

Turnover represents the gross value of tea sold, rent and net amounts receivable for supply of other goods and services.

#### INVENTORIES

Unsold tea is stated at the lower of cost and net realisable value. Cost comprises all estate, factory and packing expenses.

Generator stocks are stated at the lower of purchase cost and net realisable value.

Tea nursery and firewood are stated at production cost.

Stores are stated at average purchase cost.

#### PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost or as professionally revalued less accumulated depreciation.

Professional valuations are carried out in accordance with the company's policy of revaluing certain property, plant and equipment every three years. The last valuation was as at 31 March 2002.



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 1 ACCOUNTING POLICIES (Continued)

The bases of valuation are as follows:

Land and development - open market value for the existing use  
Other assets - net current replacement cost.

The resulting valuation surpluses/(deficits) are dealt with in the capital reserve.

#### DEPRECIATION

No depreciation is provided on freehold land, long leasehold land and tea development expenditure. Other property, plant and equipment are depreciated on a straight line basis to write off the cost or valuation over their estimated useful lives.

The annual rates in use are:

Buildings	5%
Dams	2.5%
Machinery and equipment	10%
Motor vehicles	10% - 25%
Office equipment, furniture and fittings	10%
Computers	25%

#### TEA DEVELOPMENT

Tea development represents the cost of establishing mature tea bushes. No provision is made for amortisation, as the cost of replanting, infilling and upkeep are charged against revenue, and the assets are revalued at periodic intervals.

#### INVESTMENT PROPERTIES

Investment properties are treated as long term investments and carried at market value for existing use as determined regularly by external independent valuers. Investment properties are not subject to depreciation. Changes in their carrying amounts are dealt with in the income statement.

On disposal of an investment property, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement.

This is a change in accounting policy as the increases in carrying amounts were previously credited to the capital reserve in shareholders' equity, while decreases that offset previous increases of the same asset were charged against the capital reserve. A transfer of revaluation surplus relating to investment properties from capital to revenue reserves has been effected as required by International Accounting Standard No. 40.

#### TAXATION

Current taxation is provided on the basis of the results for the year, as shown in the financial statements, adjusted in accordance with tax legislation.

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax.

The principal temporary differences arise from depreciation on property, plant and equipment, revaluation of certain non-current assets and provision for gratuity.



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 1 ACCOUNTING POLICIES (Continued)

#### 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 balance sheet date.

#### RETIREMENT BENEFIT OBLIGATIONS

The group operates a defined contribution pension scheme for eligible non-unionisable employees. The scheme is administered by the company and is funded by contributions from both the company and employees. The group's contributions to the defined contribution plan are charged to the income statement in the year to which they relate.

The group also contributes to the statutory National Social Security Fund. This is a defined contribution scheme registered under the National Social Security Act. The group's obligations under the scheme are limited to specific contributions legislated from time to time and are currently limited to a maximum of Sh 200 per month per employee with effect from December 2001 (the maximum was Sh 80 up to November 2001). The group's contributions are charged to the income statement in the year to which they relate.

The group's unionisable staff who resign or whose services are terminated on completion of ten years of continuous and meritorious service are entitled to twenty one days pay for each completed year of service by way of gratuity, based on the wages or salary at the time of such resignation or termination of services, as provided for in the trade union agreement. 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 as it accrues to each employee.

#### FOREIGN CURRENCIES

Assets and liabilities expressed in foreign currencies are translated into Kenya Shillings at the rates of exchange ruling at the balance sheet date. Transactions during the year are translated at the rates ruling at the dates of the transactions. Gains and losses on exchange are dealt with in the income statement.

#### SEGMENTAL REPORTING

Segment results include revenue and expenses directly attributable to a segment.

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

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





## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 2 SEGMENTAL INFORMATION

#### (a) Primary reporting format - Business segments

	Tea Sh'000	Property Sh'000	Generator trading Sh'000	Group Sh'000
Revenue	879,992	27,684	102,560	1,010,236
Operating loss	(46,082)	18,707	1,689	(25,686)
Group's share of associated companies' results	(6,316)	(364)	-	(6,680)
Segment assets	1,981,617	332,095	69,106	2,382,818
Segment liabilities	700,211	15,470	24,379	740,060
Depreciation	65,428	211	1,723	67,362
Capital expenditure	86,220	-	2,110	88,330
	=====	=====	=====	=====

#### (b) Secondary reporting - geographical segments

The group's revenues are derived from sales in the following markets:

	Sh'000
United Kingdom	574,386
Kenya	435,850
	-----
	1,010,236
	=====



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2002 Sh'000	2001 Sh'000
<b>3 OPERATING (LOSS)/PROFIT</b>		
The operating (loss)/profit is arrived at after charging:		
Depreciation	67,362	71,358
Tea development costs written off	1,906	2,085
Directors' remuneration:		
Fees	646	750
Pension to a former director	-	40
Other emoluments	15,807	13,682
Staff costs (Note 4)	362,022	345,455
Auditors' remuneration	3,025	3,158
Deficit on revaluation of investment property	1,000	-
and after crediting:		
Profit on disposal of plant and equipment	2,391	2,548
	<u>=====</u>	<u>=====</u>
<b>4 STAFF COSTS</b>		
Wages and salaries	300,647	297,630
Social security costs (NSSF)	6,804	5,104
Pension costs (defined contribution plan)	4,790	3,606
Terminal benefits	31,936	17,104
Leave pay provision	8,445	12,017
Medical expenses	9,400	9,994
	<u>=====</u>	<u>=====</u>
	362,022	345,455
	<u>=====</u>	<u>=====</u>
The average number of staff employed by the group during the year was as follows:	Number	Number
Permanent	3,940	4,111
Seasonal	943	1,565
	<u>=====</u>	<u>=====</u>
	4,883	5,676
	<u>=====</u>	<u>=====</u>
	Sh'000	Sh'000
<b>5 NET FINANCE COSTS</b>		
Interest receivable from short term deposits	1,161	5,380
Dividend income	30	1,427
Net foreign exchange differences	194	(8,510)
	<u>=====</u>	<u>=====</u>
	1,385	(1,703)
Interest expense:		
- bank overdrafts	(2,301)	(7,588)
- bank loans	(3,974)	(3,371)
- finance leases	(232)	(493)
	<u>=====</u>	<u>=====</u>
	(5,122)	(13,155)
	<u>=====</u>	<u>=====</u>



# NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2002 Sh'000	2001 Sh'000
6 TAXATION		
(a) TAX (CREDIT)/CHARGE		
Current taxation based on the adjusted profit at 30%	14,202	69,666
Prior year under/(over) provision	491	(200)
	<hr/>	<hr/>
Deferred tax (credit)/charge	14,693 (14,655)	69,466 3,183
	<hr/>	<hr/>
	38	72,649
	<hr/>	<hr/>
Share of associated company's taxation:		
Current taxation	-	1,994
Prior year over provision	-	(159)
	<hr/>	<hr/>
Deferred tax (credit)/charge	- (812)	1,835 471
	<hr/>	<hr/>
	(812)	2,306
	<hr/>	<hr/>
	(774)	74,955
	<hr/>	<hr/>
(b) RECONCILIATION OF EXPECTED TAX BASED ON ACCOUNTING PROFIT TO TAX EXPENSE		
Accounting (loss)/profit before taxation	(38,300)	215,539
	<hr/>	<hr/>
Tax at the applicable rate of 30%	(11,490)	64,661
Tax effect of expenses not deductible for tax purposes	11,410	12,702
Tax effect of income not taxable	(1,185)	(2,208)
Prior year under/(over) provision	491	(200)
	<hr/>	<hr/>
	(774)	74,955
	<hr/>	<hr/>
(c) DEFERRED TAX RELATING TO ITEMS (DEBITED)/CREDITED TO CAPITAL RESERVE		
On revaluation surplus	(8,392)	-
On revaluation adjustment	-	1,222
Depreciation on revaluation surplus	6,435	7,816
Realised on disposals	343	191
	<hr/>	<hr/>
	(1,614)	9,229
	<hr/>	<hr/>



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 7 LOSS/(PROFIT) AFTER TAXATION

A loss after taxation of Sh 9,214,000 (2001 - profit of Sh103,339,000) has been dealt with in the financial statements of Williamson Tea Kenya Limited.

### 8 (LOSS)/EARNINGS PER SHARE

Loss per share is calculated by dividing the loss attributable to shareholders of Sh 34,435,000 (2001 - profit of Sh 136,238,000) by the number of shares in issue during the year of 8,756,320 (2001 - 8,756,320) shares.

Diluted earnings per share is the same as the basic earnings per share.

### 9 PROPOSED DIVIDEND

At the annual general meeting to be held on 25 July 2002, a first and final dividend in respect of 2002 of Sh 0.50 per share (2001 - Sh 5 per share) amounting to a total of Sh 4,378,000 (2001 - Sh 43,782,000) is to be proposed.



# NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 10 PROPERTY, PLANT AND EQUIPMENT

### GROUP

	Freehold and long leasehold land, buildings and development Sh'000	Machinery and equipment Sh'000	Motor vehicles Sh'000	Office equipment, computers, furniture and fittings Sh'000	Capital work in progress Sh'000	Total Sh'000
<b>COST OR VALUATION</b>						
At 1 April 2001	1,170,931	245,796	119,874	40,865	9,756	1,587,222
Additions	24,097	38,814	13,917	4,321	7,181	88,330
Disposals	-	(2,552)	(10,979)	(253)	-	(13,784)
Transfers	13,171	3,423	-	-	(16,594)	-
Development costs written off	(1,906)	-	-	-	-	(1,906)
Reclassification	-	(800)	800	-	-	-
Revaluation	(76,800)	(38,949)	-	-	-	(115,749)
At 31 March 2002	1,129,493	245,732	123,612	44,933	343	1,544,113
Comprising:						
At valuation - 2002	1,129,493	243,533	-	-	-	1,373,026
At cost	-	2,199	123,612	44,933	343	171,087
	1,129,493	245,732	123,612	44,933	343	1,544,113
<b>DEPRECIATION</b>						
At 1 April 2001	53,481	50,545	84,651	24,854	-	213,531
Charge for the year	23,973	21,874	16,284	5,231	-	67,362
Eliminated on disposals	-	(764)	(8,971)	(213)	-	(9,948)
Reclassification	-	(37)	125	(88)	-	-
Written back on revaluation	(77,454)	(71,025)	-	-	-	(148,479)
At 31 March 2002	-	593	92,089	29,784	-	122,466
<b>NET BOOK VALUE</b>						
At 31 March 2002	1,129,493	245,139	31,523	15,149	343	1,421,647
At 31 March 2001	1,117,450	195,251	35,223	16,011	9,756	1,373,691
<b>NET BOOK VALUE (cost basis)</b>						
At 31 March 2002	666,620	144,938	31,523	15,149	343	858,573
At 31 March 2001	643,136	116,865	35,223	16,011	9,756	820,991

Land, buildings, development and machinery were revalued as at 31 March 2002 by Lloyd Masika Limited, registered valuers and estate agents.

The net book value of motor vehicles includes Sh 2,277,000 (2001 - Sh 1,146,000) in respect of vehicles that are subject to finance leases.

Land, buildings and development with net book values amounting to Sh 1,129,493,000 (2001 - Sh 1,117,450,000) have been charged to secure banking facilities granted to the group (see note 24).



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 10 PROPERTY, PLANT AND EQUIPMENT

#### COMPANY

	Freehold and long leasehold land, buildings and development Sh'000	Machinery and equipment Sh'000	Motor vehicles Sh'000	Office equipment, computers, furniture and fittings Sh'000	Capital work in progress Sh'000	Total Sh'000
<b>COST OR VALUATION</b>						
At 1 April 2001	573,976	110,081	51,523	21,638	4,626	761,844
Additions	10,462	15,000	8,490	1,471	4,736	40,159
Disposals	-	(1,895)	(6,030)	(203)	-	(8,128)
Development costs written off	(975)	-	-	-	-	(975)
Transfers	5,218	4,144	-	-	(9,362)	-
Revaluation	(36,988)	(21,065)	-	-	-	(58,053)
At 31 March 2002	551,693	106,265	53,983	22,906	-	734,847
Comprising:						
At valuation - 2002	551,693	106,265	-	-	-	657,958
At cost	-	-	53,983	22,906	-	76,889
	551,693	106,265	53,983	22,906	-	734,847
<b>DEPRECIATION</b>						
At 1 April 2001	20,854	21,800	36,093	14,911	-	93,658
Charge for the year	10,852	9,838	5,516	2,158	-	28,364
Eliminated on disposals	-	(659)	(4,240)	(203)	-	(5,102)
Written back on revaluation	(31,706)	(30,979)	-	-	-	(62,685)
At 31 March 2002	-	-	37,369	16,866	-	54,235
<b>NET BOOK VALUE</b>						
At 31 March 2002	551,693	106,265	16,614	6,040	-	680,612
At 31 March 2001	553,122	88,281	15,430	6,727	4,626	668,186
<b>NET BOOK VALUE (cost basis)</b>						
At 31 March 2002	345,770	64,723	16,614	6,040	-	433,147
At 31 March 2001	336,386	54,384	15,433	6,723	4,626	417,552

Land, building, development and machinery were revalued as at 31 March 2002 by Lloyd Masika Limited, registered valuers and estate agents.

Land, buildings and development with net book value of Sh 551,693,000 (2001 - Sh 553,122,000) have been charged to secure banking facilities granted to the company (see note 24).



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

	GROUP		COMPANY	
	2002 Sh'000	2001 Sh'000	2002 Sh'000	2001 Sh'000
11 INVESTMENT PROPERTIES				
At 1 April 2001 and 31 March 2002 - at valuation	300,000	301,000	235,000	235,000
COST	131,171	131,171	114,154	114,154

The investment properties were revalued as at 31 March 2002 by Lloyd Masika Limited, Registered Valuers and Estate Agents.

	2002 Sh'000	2001 Sh'000
12 INVESTMENT IN ASSOCIATED COMPANIES		
GROUP		
Kapchorua Tea Company Limited (Quoted); 39.56% owned; At share of net assets (market value - Sh 212,045,000 2001 - Sh 232,138,000)	166,620	167,880
Williamson Developments Limited (Unquoted) - 50% Share of net assets	22,488	22,852
	189,108	190,732
COMPANY		
Kapchorua Tea Company Limited (Quoted); 39.56% owned; At cost - (market value - Sh 212,045,000 2001 - Sh 232,138,000)	49,479	49,479
Williamson Developments Limited (Unquoted) - 50% owned at cost and directors' valuation	30,358	30,358
	79,837	79,837

The details of the associated companies are as follows:

Company	Share capital Sh	Country of Incorporation	Principal activity
Kapchorua Tea Company Ltd	19,560,000	Kenya	Cultivation , manufacture and sale of tea
Williamson Developments Ltd	3,600	Kenya	Property management



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2002 Sh'000	2001 Sh'000
13 INVESTMENT IN SUBSIDIARIES		
(a) Unquoted investments at cost in wholly owned subsidiaries:		
Kaimosi Tea Estates Limited	2,863	2,863
Williamson Power Limited	3,689	3,689
Tea Manufacturing and Supplies Limited	2,000	2,000
Tea Properties Limited	2	2
Lelsa Tea Estates Limited	-	-
	<hr/>	<hr/>
	8,554	8,554
(b) Unquoted investment at cost in Tinderet Tea Estates (1989) Limited (82% owned)	103,323	103,323
	<hr/>	<hr/>
	<u>111,877</u>	<u>111,877</u>

The details of the subsidiary companies are as follows:

Company	Share capital Sh	Country of Incorporation	Principal activity
Kaimosi Tea Estates Limited	2,540,000	Kenya	Cultivation, manufacture and sale of tea.
Williamson Power Limited	2,880,000	Kenya	Sale, installation and servicing of generators.
Tea Manufacturing and Supplies Limited	2,000,000	Kenya	Dormant company.
Tea Properties Limited	2,000	Kenya	Investment and property management.
Lelsa Tea Estates Limited	4,000,000	Kenya	Cultivation, manufacture and sale of tea. The company did not trade in the year.
Tinderet Tea Estates (1989) Limited	100,000	Kenya	Cultivation, manufacture and sale of tea.





# NOTES TO THE FINANCIAL STATEMENTS (Continued)

	GROUP		COMPANY	
	2002 Sh'000	2001 Sh'000	2002 Sh'000	2001 Sh'000
14 OTHER INVESTMENTS				
Unquoted:				
At cost and directors' valuation				
- Trade	15	15	8	8
- Other	3	3	-	-
	<u>18</u>	<u>18</u>	<u>8</u>	<u>8</u>
Quoted:				
At cost (market value - Sh 184; 2001 - Sh 390)	1	1	-	-
	<u>19</u>	<u>19</u>	<u>8</u>	<u>8</u>
15 INVENTORIES				
Unsold tea	66,192	155,112	23,062	72,314
Tea nursery	12,858	12,413	3,635	3,770
Firewood	4,535	7,872	1,705	4,280
Stores	18,213	21,644	3,458	6,960
Generators	13,207	16,667	-	-
Work in progress	170	23,332	-	-
Goods in transit	-	42	-	-
	<u>115,175</u>	<u>237,082</u>	<u>31,860</u>	<u>87,324</u>
16 TRADE AND OTHER RECEIVABLES				
Trade	159,945	125,492	59,125	18,172
Staff	63,876	53,750	45,461	33,633
Other	30,045	33,074	11,507	13,139
	<u>253,866</u>	<u>212,316</u>	<u>116,093</u>	<u>64,944</u>

Staff receivables include loans to directors amounting to Sh 10,386,000 (2001 - Sh 1,688,000).



# NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2002 Sh'000	2001 Sh'000
<b>17 DUE FROM SUBSIDIARY COMPANIES</b>		
Kaimosi Tea Estates Limited	29,052	49,451
Williamson Power Limited	13,338	19,325
Tinderet Tea Estates (1989) Limited	25,006	27,152
Tea Properties Limited	-	(1,764)
	<u>67,396</u>	<u>94,164</u>
	=====	=====
<b>DUE TO SUBSIDIARY COMPANY</b>		
Tea Properties Limited	251	-
	<u>251</u>	<u>-</u>
	=====	=====
<b>18 SHORT TERM DEPOSITS</b>		
Short term deposits are funds placed in financial institutions and mature within three months of the balance sheet date. The effective interest rate on short term deposits was 7.5%.		
<b>19 RELATED PARTIES</b>		
The group transacts with the ultimate holding company and other companies related to it by virtue of common shareholding. These transactions are at arm's length and in the normal course of business.		
During the year, the following transactions were entered into with related parties:		
	2002 Sh'000	2001 Sh'000
Commissions paid on private tea sales	17,736	22,038
Technical expertise	3,498	3,510
Agency commission received	15,079	13,807
Purchase of green leaf	1,931	-
	<u>38,244</u>	<u>49,365</u>
	=====	=====
The group received a loan of GBP 200,000 for purchase of factory machinery from Williamson Tea Holdings Plc, the ultimate holding company. The loan is repayable in twelve quarterly instalments with a one year moratorium granted on both principal and interest. The interest rate on the loan is 4.96%. The balance outstanding on the shareholder loan at 31 March 2002 was Sh 22,232,000 (see note 24).		
In addition to the above H S Consultancy, a company owned by one of the directors provided services amounting to Sh 2,946,000 (2001 - Sh 2,825,000).		
	2002 Sh'000	2001 Sh'000
<b>20 SHARE CAPITAL</b>		
Authorised:		
17,512,640 shares of Sh 5 each	87,563	87,563
	<u>87,563</u>	<u>87,563</u>
	=====	=====
Issued and fully paid:		
8,756,320 shares of Sh 5 each	43,782	43,782
	<u>43,782</u>	<u>43,782</u>
	=====	=====



# NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2002 Sh'000	2001 Sh'000
21 MINORITY INTEREST		
At 1 April	58,536	54,915
Share of (loss)/profit	(3,091)	4,346
Dividend paid	(1,448)	(1,159)
Share of revaluation surplus	3,072	-
Share of deferred tax movement	(524)	434
At 31 March	<u>56,545</u>	<u>58,536</u>

## 22 DEFERRED INCOME TAXES

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

	GROUP		COMPANY	
	2002 Sh'000	2001 Sh'000	2002 Sh'000	2001 Sh'000
The net deferred taxation liability is attributable to the following items:				
Accelerated capital allowances	173,174	163,507	88,665	84,002
Unrealised exchange gains	(344)	(904)	-	(362)
Provision for terminal benefits	(25,172)	(20,211)	(15,081)	(11,763)
Leave pay provision	(3,660)	(3,605)	(2,443)	(2,482)
Revaluation surplus	197,008	195,170	105,058	106,870
Tax losses	(19,566)	-	(11,898)	-
	<u>321,440</u>	<u>333,957</u>	<u>164,301</u>	<u>176,265</u>

The movement on the deferred tax account is as follows:

	GROUP		COMPANY	
	2002 Sh'000	2001 Sh'000	2002 Sh'000	2001 Sh'000
At 1 April	333,957	340,437	176,265	180,763
Income statement tax (credit)/charge	(14,655)	3,183	(10,152)	394
Capital reserve debit/(credit)	1,614	(9,229)	(1,812)	(4,892)
Minority interest	524	(434)	-	-
At 31 March	<u>321,440</u>	<u>333,957</u>	<u>164,301</u>	<u>176,265</u>



# NOTES TO THE FINANCIAL STATEMENTS (Continued)

	GROUP		COMPANY	
	2002 Sh'000	2001 Sh'000	2002 Sh'000	2001 Sh'000
23 RETIREMENT BENEFIT OBLIGATIONS				
At 1 April	67,370	57,598	39,212	28,396
Provision during the year	31,936	17,104	17,544	13,077
Payments in the year	(15,399)	(7,332)	(6,486)	(2,261)
	<u>83,907</u>	<u>67,370</u>	<u>50,270</u>	<u>39,212</u>
24 BORROWINGS				
Bank loans	75,147	39,480	35,597	22,843
Bank overdrafts	32,022	12,789	5,651	8,161
Shareholder loan	22,232	-	22,232	-
	<u>129,401</u>	<u>52,269</u>	<u>63,480</u>	<u>31,004</u>
The borrowings are repayable as follows:				
On demand and within one year	47,051	14,586	12,770	9,303
In the second year	22,440	6,534	14,530	4,569
In the third to fifth year inclusive	59,910	31,149	36,180	17,132
	<u>129,401</u>	<u>52,269</u>	<u>63,480</u>	<u>31,004</u>
Amounts due for settlement within one year	<u>47,051</u>	<u>14,586</u>	<u>12,770</u>	<u>9,303</u>
Amounts due for settlement after one year	<u>82,350</u>	<u>37,683</u>	<u>50,710</u>	<u>21,701</u>
Analysis of borrowing by currency				
	Borrowings In US\$	Kshs equivalent Sh'000	Borrowings In US\$	Kshs Equivalent Sh'000
2002				
Bank loans	905,894	75,147	456,084	35,597
Bank overdrafts	388,470	30,326	72,395	5,651
Bank overdrafts	-	1,696	-	-
	<u>1,294,364</u>	<u>107,169</u>	<u>528,479</u>	<u>41,248</u>
2001				
Bank loans	508,761	39,480	294,372	22,843
Bank overdrafts	59,334	4,628	-	-
Bank overdrafts	-	8,161	-	8,161
	<u>568,095</u>	<u>52,269</u>	<u>294,372</u>	<u>31,004</u>
	Borrowings In GBP	Kshs equivalent Sh'000	Borrowings In GBP	Kshs Equivalent Sh'000
2002				
Shareholder loan	200,000	22,232	200,000	22,232



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 24 BORROWINGS (Continued)

	2002 %	2001 %
The average interest rates paid were as follows:		
Bank loans	8.5	9.5
Bank overdraft - Ksh	16.0	18.0
Bank overdraft - US \$	8.5	9.5
Shareholder loan	5.0	-

The group has undrawn committed borrowing facilities amounting to Sh 158,795,000 (2001 - Sh 112,045,000). The borrowing facilities consist of loans, bank overdrafts, letters of credit and guarantees.

#### Details of securities for loans and overdrafts

##### GROUP

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

1. Joint and several debenture between Kaimosi Tea Estates Limited, Williamson Tea Kenya Limited, Tea Properties Limited, Changoi and Lelsa to Barclays Bank of Kenya Limited stamped and registered to cover Sh 104 million.
2. Legal mortgage over LR Nos. 1892,1893,1894,1895,1896 and 1899 (Kaimosi Tea Estates) registered and stamped to cover Sh 104 million supplemental to the debenture.
3. A fixed and floating debenture over all the assets of Tinderet Tea Estates (1989) Limited for Sh 94,000,000 and a legal charge over the company's property in Tinderet (LR 11490) for Sh 94,000,000.

The bank overdraft facility with Standard Chartered Bank Kenya Limited is secured by an all assets debenture supported by a collateral legal charge over LR 11297 (Changoi Estate) Kericho of Sh 84 million.

##### COMPANY

1. Joint and several debenture between Kaimosi Tea Estates Limited, Williamson Tea Kenya Limited, Tea Properties Limited, Changoi and Lelsa to Barclays Bank of Kenya Limited stamped and registered to cover Sh 104 million.
2. All assets debenture supported by a collateral charge over LR 11297 (Changoi Estate) Kericho to Standard Chartered Bank of Kenya Limited registered to cover Sh 84 million.

### 25 FINANCE LEASE OBLIGATIONS - GROUP

	Minimum Lease payments		Present value of Minimum lease payments	
	2002 Shs'000	2001 Shs'000	2002 Shs'000	2001 Shs'000
Within one year	1,217	636	866	443
In second to third year	1,233	845	890	590
	<hr/>	<hr/>	<hr/>	<hr/>
	2,450	1,481	1,756	1,033
Less: Future finance charges	(694)	(448)	N/A	N/A
	<hr/>	<hr/>	<hr/>	<hr/>
Present value of lease obligations	<u>1,756</u>	<u>1,033</u>	<u>1,756</u>	<u>1,033</u>

The average lease period is 3 years. The average interest rates paid was 12.5% (2001 - 14.4%).

The finance leases are secured by motor vehicles which are the subject of the finance lease.



# NOTES TO THE FINANCIAL STATEMENTS (Continued)

	GROUP		COMPANY	
	2002 Sh'000	2001 Sh'000	2002 Sh'000	2001 Sh'000
26 TRADE AND OTHER PAYABLES				
Trade payables	30,939	48,821	6,681	21,646
Green leaf provision	14,404	93,877	3,041	21,602
Other payables	95,255	93,215	50,905	23,218
Unclaimed dividends	1,701	1,830	1,701	1,830
	<u>142,299</u>	<u>237,743</u>	<u>62,328</u>	<u>68,296</u>
27 NOTES TO THE CASH FLOW STATEMENT				
(a) Reconciliation of operating (loss)/profit to cash generated from operations			2002 Sh'000	2001 Sh'000
Operating (loss)/profit			(25,686)	224,391
Adjustments for:				
Depreciation			67,362	71,358
Profit on disposal of plant and equipment			(2,391)	(2,548)
Tea development costs written off			1,906	2,085
Exchange differences			144	(7,372)
Provision for terminal benefits			31,936	17,104
Property, plant and equipment adjustments			-	1,405
Deficit on revaluation of investment property			1,000	-
			<u>74,271</u>	<u>306,423</u>
Operating profit before working capital changes				
Decrease/(increase) in inventories			121,907	(155,943)
(Increase)/decrease in trade and other receivables			(42,782)	31,047
(Decrease)/increase in trade and other payables			(92,516)	75,266
Movement in associated company balances			(4,015)	(7,039)
			<u>56,865</u>	<u>249,754</u>
(b) Analysis of changes in loans				
At 1 April			39,480	25,286
Loans received			35,717	13,056
Exchange (gain)/loss			(50)	1,138
			<u>75,147</u>	<u>39,480</u>
At 31 March				

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# NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 27 NOTES TO THE CASH FLOW STATEMENT (Continued)

### (c) Analysis of cash and cash equivalents

	2002 Sh'000	2001 Sh'000
Short term deposits	22,000	-
Cash and bank balances	73,612	140,511
Bank overdrafts (secured)	(32,022)	(12,789)
	<u>63,590</u>	<u>127,722</u>
At 31 March	<u>63,590</u>	<u>127,722</u>

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

### (d) Non cash transactions

During the year the group entered into finance lease arrangements in respect of a motor vehicle with the amount financed being Sh 1,272,000 (2001 - Sh 1,330,000).

	GROUP		COMPANY	
	2002 Sh'000	2001 Sh'000	2002 Sh'000	2001 Sh'000
28 CAPITAL COMMITMENTS				
Authorised and contracted for	-	-	-	-
Authorised but not contracted for	78,199	84,715	37,626	38,224

The company intends to finance these commitments from internally generated funds and from the undrawn portion of bank loans.

## 29 OPERATING LEASE ARRANGEMENTS

The group as a lessor

Property rental income earned during the year was Sh 27,684,000 (2001 - Sh 28,724,000). At the balance sheet date, the group had contracted with tenants for the following future lease receivables.

	2002 Sh'000	2001 Sh'000
Within one year	9,576	29,455
In the second to fifth years inclusive	25,349	17,898
	<u>34,925</u>	<u>47,353</u>

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



# NOTES TO THE FINANCIAL STATEMENTS (Continued)

	GROUP		COMPANY	
	2002 Sh'000	2001 Sh'000	2002 Sh'000	2001 Sh'000
30 CONTINGENT LIABILITIES				
Liability in respect of pending litigation from a supplier	-	745	-	-
Guarantees in respect of banking facilities granted to subsidiary companies	-	-	9,034	-
Guarantee to a subsidiary company in respect of a bank loan	-	-	14,995	9,823
Liability in respect of disputed bill from a supplier	9,389	-	9,389	-
	<u>9,389</u>	<u>745</u>	<u>33,418</u>	<u>9,823</u>

## 31 COUNTRY OF INCORPORATION

All the companies in the group are incorporated in Kenya under the Companies Act.

## 32 ULTIMATE HOLDING COMPANY

The ultimate holding company is Williamson Tea Holdings Plc a company incorporated in the United Kingdom.

## 33 CURRENCY

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





### THREE YEAR COMPARATIVE STATEMENT

		2002	2001	2000
Tea Production				
Area under tea	Hectare	1,991	1,989	1,985
Made tea - own	'000 Kgs	6,394	6,950	5,798
- Bought leaf	'000 Kgs	1,120	3,383	1,711
Total '000 Kgs		7,514	10,333	7,509
Tea sold	'000 Kgs	8,477	7,561	7,706
Average price per Kg gross Sh/Ct		103/65	137/98	122/48
Turnover (Sh'000)		1,010,236	1,255,517	1,045,177
Profit (Sh'000)				
(Loss)/Profit before taxation		(38,300)	215,539	112,461
Taxation		774	(74,955)	(30,746)
Profit after taxation		(37,526)	140,584	81,715
Minority interest		3,091	(4,346)	(3,479)
Dividends		(4,378)	(43,782)	(21,891)
(Loss)/net profit for the year		(38,813)	92,456	56,345
Capital employed (Sh'000)				
Property, plant & equipment		1,721,647	1,674,691	1,683,472
Investments and long term receivables		189,127	190,751	191,734
Current assets		472,044	592,414	432,955
Deferred income taxes		-	-	1,134
Total assets		2,382,818	2,457,856	2,309,295
Financed by (Sh'000)				
Share capital		43,782	43,782	43,782
Reserves		1,598,976	1,640,224	1,521,470
Shareholders' funds		1,642,758	1,684,006	1,565,252
Minority interest		56,545	58,536	54,915
Medium term borrowings		83,240	38,273	25,286
Non current liabilities		83,907	67,370	58,471
Current liabilities		194,928	275,714	263,800
Deferred income taxes		321,440	333,957	341,571
		2,382,818	2,457,856	2,309,295
(Loss)/Earnings per share	Cents	(393)	1,556	894
Dividend per share	%	10	100	50
Dividend per share	Cents	50	500	250
Dividend cover	Times	(7.86)	3.11	3.57



PROXY FORM FOR ANNUAL GENERAL MEETING

THE SECRETARY,  
WILLIAMSON TEA KENYA LTD,  
P.O. BOX 42281,  
NAIROBI

I/WE ..... *CAPITAL LETTERS PLEASE*

of .....

being a Member/Members of Williamson Tea Kenya Limited hereby appoint.....

.....

of .....

or failing him/her the Chairman of the Meeting as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on 25th July, 2002 and at any adjournment thereof.

Dated this ..... day of ..... 2002

Signature .....

Address .....

.....

.....

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I desire to vote\* in favour of the resolution  
against

\*NOTE: Unless otherwise directed a Proxy holder will vote as he thinks fit and in respect of the member's total holding.

