





WILLIAMSON TEA
KENYA LIMITED

Report

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Accounts

31 March 2003

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**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2003**

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NOTICE OF THE MEETING

NOTICE IS HEREBY GIVEN that the Fifty Third ANNUAL GENERAL MEETING of the Shareholders will be held at the Nairobi Club, Ngong Avenue, on 23rd July 2003 at 10.00 a.m. for the purposes of attending to the ordinary 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 2003.
2. To declare a dividend.
3. To elect Directors:-
 - (i). Messrs E.A. Bristow and S.C.A. Koech retire by rotation and being eligible, offer themselves for re-election.
 - (ii). In accordance with Article 114 of the Articles of Association Mr. I.D.C. Burrige was appointed a Director of the Company on 16th October 2002, and being eligible offers himself for re-election.
4. To approve the remuneration of the Directors.
5. To authorize the Directors to agree the remuneration of the Auditors
6. To transact such other competent business as may be brought before the Meeting

BY ORDER OF THE BOARD

A.M.MULILA
SECRETARY

2007/1109

3rd June, 2003

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 LELSA 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* -Executive Chairman
	E A Bristow
	S C A Koech
	P Magor*
	E N K Wanjama
	D B White
	I D C Burridge*
	* British
SECRETARY	A M Mulila P O Box 42281, Nairobi
REGISTERED OFFICE	Williamson House, 9 th Floor, 4 th Ngong Avenue, P O Box 42281, Nairobi
AUDITORS	Deloitte & Touche "Kirungii", Ring Road, Westlands, P O Box 40092, Nairobi
BANKERS	Barclays Bank of Kenya Limited Barclays Plaza Business Centre, P O Box 46661, Nairobi Standard Chartered Bank Kenya Limited Kenyatta Avenue Branch, P O Box 40310, Nairobi
LAWYERS	Kaplan & Stratton Queensway House, Kaunda Street, P O Box 40111, Nairobi Walker Kontos Williamson House, 4 th Ngong Avenue, P O Box 60680, Nairobi.



CHAIRMAN'S STATEMENT

Crops were lower than last year due to the less favourable weather and were particularly affected by the dry weather in February and March.

We continue to work to recruit further outgrowers and are nearing a point where their volume will be the equivalent of the Nyayo Tea Zones Corporation, whose contract was terminated two years ago.

Although the World Tea over supply condition continued there was a slight improvement in prices.

This together with a weaker Kenya Shilling against Sterling Pound, coupled with continuing tight cost control on all Estates operations has resulted in improved figures.

Our wages were increased by 7.5% from 1 January 2003 (2002 - 6%) under the Collective Bargaining Agreement with The Kenya Plantation and Agricultural Workers Union.

Pressure on containment of costs remains as high as ever, but notwithstanding this our Estates continue to produce good teas and some new overseas contracts have been concluded as a result.

Based on the results your Directors are recommending payment of a Dividend of Shs. 3/75 per share, (2002 - Shs. 0.50).

TEA

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

	2003	2002	2001
Changoi	3,437,364	3,647,646	3,979,551
Kaimosi	2,288,501	2,149,817	2,950,876
Tinderet	1,549,775	1,715,720	2,004,809

CAPITAL INVESTMENT

During the year we incurred Capital Expenditure of Shs. 75,263,000 on our Estates.

This covered new Tea and Timber Planting, buildings, schools, labour housing, and upgrading of transport.

In addition a Continuous Fermenting Line was installed at Changoi and a Boiler at Kaimosi.

PROPERTY

No changes were made to our portfolio during the year.

WILLIAMSON POWER

Trading continued to be difficult during the year both with severe competition and the depressed state of the economy. We are restructuring the operation with greater emphasis on generator services and support and also a reduction of senior staff.

ENVIRONMENT

As mentioned last year deforestation continues its effect on weather patterns and at Tinderet annual rainfall was well below the minimum required to support the growing of Tea.

The reforestation scheme with the Nandi Branch of the Kenya Tea Growers Association adjoining Kapchorua continues to be extended and with similar support it is hoped to start a scheme next to Tinderet.



CHAIRMAN'S STATEMENT (Continued)

At the Estates we continue to improve our fuel and timber plantations and when not required for our own use we are selling production to third parties. The programme to plant a wide variety of indigenous trees and bamboo continues.

SOCIAL CONTRIBUTION

The major salient facts under this heading include:-

- i). There are now 4,590 workers and over 18,000 dependants within the Group Estates. We now operate 4 primary schools, 1 secondary school, and 5 health clinics. In addition we always look 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. 744,715,000 (2002 Shs. 722,551,000).
- iii). The Group paid to the Government corporation tax of Shs. 19,640,000 and agricultural produce cess to the Tea Board of Kenya of Shs. 6,962,000 for disbursement to the local councils and tea road committees where we operate.
- iv). Total expenditure on the provision of various social welfare, health and educational facilities at the Estates amounted to Shs. 52,901,000.
- 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

At the end of the year Bill Sainna at Changoi was replaced by his Deputy John Kosgei in an Acting capacity. Samuel Thumbi and Tom Lloyd continue as General Managers in Kaimosi and Tinderet Estates respectively as does Solomon Koech as Visiting Agent and Zabron Mugo as our Group Engineer.

I would wish to thank them together with all Management and Staff at all levels including our Nairobi Office and Engineering Staff for the results achieved, which are most commendable.

DIRECTORS

As reported last year Ezekiel Wanjama joined the Board on June 24th 2002 and is a very welcome addition.

Your Board places great emphasis in the area of good governance and an expanded note is included in the Directors Statement of Responsibilities.

In conclusion I would thank the Directors for their contribution and diligence at our regular Board and Audit Committee Meetings and their support throughout the year.

N.G. SANDYS-LUMSDAINE
Chairman

Nairobi

14 May 2003



NAKALA YA MWENYEKITI

Mazao ya mwaka huu yalipunguwa ikilinganishwa na mwaka uliopita. Hii ni kufuatia hali mbaya ya hewa na ukosefu wa mvua sana sana miezi ya februari na marchi mwaka huu.

Tunaendelea kuandikisha wakusaji majani wa nje ili kushiba lile pengo tuliopata kwa kukatishwa kwa ulc mkataba tuliokuwa nao wa Nyayo Tea Zones yafuata miaka miwili iliyopita. Mpaka sasa huu mpango unaendelea kuimalika vyema.

Hata ingawa kulikuwa na zao kubwa kwa masoko ya ulimwengu bei ya majani iliimalika kwa kiasi kidogo.

Kukiwemo na shilingi ya kenya ambayo ilikuwa imepungua dhamana ikilinganishwa na pauni ya Uingereza pamoja na juhudi zetu za kuimalisha gharama huku mashambani tulipata faida.

Kwanzia Januari mwaka huu wa 2003 mshahara kwa wafanyikazi mashambani uliongezwa kwa asilimia saba na nusu. Hii ni kufuatia yale mapatano ya chama cha wafanyi kazi na kile cha uajiri

Hata ingawa imebidi sana tuendelea kupunguza gharama kote mashambani. Mashamba yetu yote yameendelea kuzalisha mazao ya viwango vya juu na wanunuzi wa nchi za ng'ambo wamekupaliana na wakaandikisha mikataba ya kuendelea kununua majani kutoka kwetu.

Kufuatia haya matokeo wakurugenzi wenu wamependekezwa gawio la shilingi tatu na centi sabini na tano kwa kila hisa moja, mwaka uliopita (2002 - Shs. 0.50).

CHAI

Mazao yaliyopatikana kwa kilo yalikuwa kama ifuatavyo:-

	2003	2002	2001
CHANGOI	3,437,364	3,647,646	3,979,551
KAIMOSI	2,288,501	2,149,817	2,950,876
TINDERET	1,549,775	1,715,720	2,004,809

RASIMALI

Hapo mwakani jumla ya Shs. 75,263,000 zilitumika kwa mipango ya kugharamia rasimali kwa mashamba yetu yote. Hii ni pamoja na upandaji michai, ujenzi wa manyumba, mashule, makao ya wafanyi kazi na kustawisha uchukuzi.

Pia mitambo mipya ya viwandani kule Changoi na Kaimosi ilianzishwa mwaka huu.

MALI

Hatukuwa na mabadiliko yoyote mwaka huu.

UHANDISI

Biashara ziliendelea kuwa ngumu kufuatia mashindano kutoka kampuni zingene na pia hali ya chini ya kiuchumi nchini. Tunaendelea kuzingatia jinsi tunavyoendelea biashara hii hasa vile tutakavyoendelea kuhudumu kwa mitambo ya kutoa nguvu za umeme na pia kupunduza wafanyikazi wa ngazi za juu.

MAZINGARA

Vile nilivyo waelezea mwaka uliopita kuendelea kuharibiwa kwa misitu ya kiasili kumesabisha uharibifu mukubwa na mwaka huu Tinderet ilipata viwango vya chini zaidi ikilinganishwa na vile vinavyohitajika kwa kuzalisha majani chai.

Mpango wa kuanza kupanda miti na kuwa na misitu tena imeanzwa kule Nandi kwa tawi la Kenya Tea Growers Association karibu na Kapchorua. Mpango kama huu pia utaanzua kule Tinderet.



NAKALA YA MWENYEKITI (Yaendelea)

Kote mashambani tumepanda miti ya kuni na pia tunaendelea kupanda miti ya kiasili pamoja na bamboo. Hii tunatumia kwa manufaa yetu binafsi na ingie tunauzia wale wanaotaka kuni.

MCHANGO WA MAMBO YA JAMII

Mambo makubwa chini ya dibaji hii ni pamoja na:

- (i). Sasa kuna wafanyi kazi 4,590 walioajiriwa, na 18,000 wanaotegemea kote kwa kundi letu.

Tunaendelea shule nne za msingi, shule moja ya upili na vituo vitano vya afya.

Kule tutaweza tutaendelea kutoa huduma na vifaa bora vya kustarehesha wafanyi kazi wetu pamoja na jamii zao.
- (ii). Pesa zetu za kigcni tulizozipata zilikuwa Sh.744,715,000 (2002 - Sh. 722,551,000).
- (iii). Kampuni hii na viunga vyake imelipa serikali kodi ya Shs.19,640,000, na kodi zingine za Tea Board of Kenya za Sh.6,962,000 ambazo zinatumika kwa mabaraza ya miji na pia kwa kamiti ya kusitawisha mabarabara katika wilaya zile tunakuza chai.
- (iv). Kampuni zetu zilitumia Sh.52,901,000 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 kwa juu na ubora kwa jinsi tunavyotengeza chai na pia vile tunazingatia usalama wa wafanyi kazi wetu imetekelezwa.

WAFANYI KAZI

Mwishoni wa mwaka huu kulikuwa na mabadiliko ambako Bwana John Kosgey aliingia mahali pa Bwana Bill Saina Kule Changoi kama Meneja mtendaji. Bwana Samuel Thumbi na Tom Llyod wanaendelea kama mameneja wakuu kule Kaimosi na Tinderet. Na Solomon Koech anendelea kama mkurugenzi mtendaji kote kundini na Zabron Mugo ndiye mhandisi.

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.

WAKURUGENZI

Kama vile nilivyo wajulisha mwaka uliopita Bwana Ezekiel Wanjama aliteulia kuwa mkurugenzi na alijiunga na bodi ya wakurugenzi mnamo tarehe 24 Juni 2002 na mpaka sasa tumefaidika kwa kushiriki kwake pamoja na maoni yake.

Bodi yenu inatilia mkazo uendeleshaji bora wa kampuni hii kama vile ilivyopendekeshwa na ndipo wakurugenzi wenu wameandikisha toleo zaidi kuhusu jukumu lao kwa kampuni hii, kama wakurugenzi.

Na kwa kumalisia ningependa kuwashukuru wakurugenzi wenu kwa huduma yao na kwa kuhudhulia mikutano ya bodi na mchango wao mwaka huu wote.

N.G. SANDYS-LUMSDAINE
Chairman

Nairobi

14 May 2003



REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements of the group for the year ended 31 March 2003.

ACTIVITIES

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

RESULTS

	Sh'000
Profit before taxation	70,763
Taxation	(23,408)
	<hr/>
Profit after taxation	47,355
Minority interest	(1,075)
	<hr/>
Net profit for the year	46,280
	<hr/>

DIVIDENDS

The directors recommend the payment of a first and final dividend of Sh 3.75 per share, totalling Sh 32,836,200 in respect of the year.

DIRECTORS

The current board of directors is shown on page 2.

R B Magor and H Salwegter resigned as directors on 19 August 2002 and 16 October 2002 respectively.

In accordance with article 106 of the articles of association, E A Bristow and S C A Koech retire by rotation and, being eligible, offer themselves for re-election.

In accordance with article 114 of the Articles of Association, I D C Burridge, who was appointed director on 16 October 2002 retires from office and, being eligible, offers himself for re-election.

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

14 May 2003



CORPORATE GOVERNANCE

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 Company is committed to business integrity and professionalism in all its activities. As part of this commitment the Board fully supports issues articulated by the Capital Market Authority so as to bring the level of Governance in line with International trends.

We confirm that we are Governed by the rules and regulations as issued by both the Nairobi Stock Exchange (NSE) and the Capital Markets Authority (CMA).

BOARD OF DIRECTORS

The full Board meets at least once every quarter. The Directors are given appropriate and timely information so that they can make well informed and balanced business decisions as well as planning for the future and growth of the Company. The Chief Executive runs the affairs of the Company on a day to day basis assisted by a team of able managerial staff.

AUDIT COMMITTEE

The Board constituted an Audit Committee in 1998. This meets once every quarter and is chaired by a non executive director. Its responsibilities include but are not limited to review of routine financial information, annual budgets, examination of half year and annual financial statements, together with liaison with both internal and external auditors.

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 Kenya 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.

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CORPORATE GOVERNANCE (Continued)

COMMUNICATION WITH SHARE HOLDERS

The Company places a great deal of importance on communication with its shareholders and publishes in the local dailies its financial statements on half year and annual basis. The full report and accounts are distributed to all shareholders on an annual basis.

MAJOR SHARE HOLDERS

The Company files with CMA and NSE a quarterly report on the top 10 major shareholders and investors return on a monthly basis.

As at March 31st 2003 these were as follows;

	Name	Location	No of Shares	%
1.	Ngong Tea Holdings Limited	England	4,506,164	51.46
2.	Upstream Investments Limited	Nairobi	324,673	3.71
3.	The Heritage All Insurance Co. Ltd	Nairobi	215,000	2.46
4.	Old Mutual Life Assurance Co. Ltd	Nairobi	212,444	2.43
5.	Kenya Commercial Bank Staff Pension	Nairobi	157,011	1.79
6.	Insurance Company of East Africa Ltd	Nairobi	150,000	1.71
7.	Barclays (Kenya) Nominees Ltd A/C 1253	Nairobi	139,900	1.60
8.	Barclays (Kenya) Nominees Ltd A/C 1856	Nairobi	100,900	1.15
9.	Phoenix E.A. Assurance Co. Ltd	Nairobi	84,856	0.97
10.	Travis (E.A.) Limited	Nairobi	77,366	0.88



STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Companies Act 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 group and the company as at the end of the financial year and of the operating results of the group for that year. It also requires the directors to ensure the group and the company keep proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and the company. They are also responsible for safeguarding the assets of the group.

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 Financial Reporting Standards and in the manner required by 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 group and the company and of its operating results. The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of 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 and its subsidiaries will not remain a going concern for at least the next twelve months from the date of this statement.

N G SANDYS-LUMSDAINE

D B WHITE

Director

Director

14 May 2003



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

We have audited the financial statements on pages 13 to 39 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 2003 and of the profit and cash flows of the group for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act.

DELOITTE & TOUCHE

30 May 2003



CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2003

		2003	2002 (Restated)
	Note	Sh'000	Sh'000
TURNOVER	2	941,560	1,010,236
COST OF SALES		(675,541)	(817,838)
GROSS PROFIT		266,019	192,398
OTHER OPERATING INCOME		6,190	10,047
DISTRIBUTION COSTS		(88,563)	(108,922)
ADMINISTRATIVE EXPENSES		(121,764)	(119,259)
OPERATING PROFIT/(LOSS)	3	61,882	(25,736)
NET FINANCE COSTS	5	(2,003)	(5,122)
SHARE OF RESULTS OF ASSOCIATED COMPANIES		10,884	(7,567)
PROFIT/(LOSS) BEFORE TAXATION		70,763	(38,425)
TAXATION (CHARGE)/CREDIT	6	(23,408)	8,694
PROFIT/(LOSS) AFTER TAXATION	7	47,355	(29,731)
MINORITY INTEREST	22	(1,075)	2,809
NET PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS		46,280	(26,922)
EARNINGS/(LOSS) PER SHARE - Basic	8	Sh 5.29	(Sh 3.07)
- Diluted	8	Sh 5.29	(Sh 3.07)
DIVIDENDS PER SHARE	9	Sh 3.75	Sh 0.50



CONSOLIDATED BALANCE SHEET 31 MARCH 2003

		2003	2002
		Sh'000	(Restated) Sh'000
ASSETS	Note		
Non current assets			
Property, plant and equipment	10	1,300,222	1,315,275
Prepaid operating leases	11	46,133	46,183
Investment properties	12	300,000	300,000
Investment in associated companies	13	181,081	174,521
Other investments	15	19	19
		<u>1,827,455</u>	<u>1,835,998</u>
Current assets			
Inventories	16	108,376	115,175
Trade and other receivables	17	274,160	253,866
Due from associated companies		-	5,194
Taxation recoverable		1,029	2,197
Short term deposits	19	24,000	22,000
Cash and bank balances		93,176	73,612
		<u>500,741</u>	<u>472,044</u>
Total assets		<u><u>2,328,196</u></u>	<u><u>2,308,042</u></u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	21	43,782	43,782
Revaluation surplus		853,020	843,125
Revenue reserve		686,226	682,677
Proposed dividend (gross)		32,836	4,378
		<u>1,615,864</u>	<u>1,573,962</u>
Minority interest	22	<u>51,640</u>	<u>50,565</u>
Non current liabilities			
Deferred income taxes	23	323,595	321,440
Provision for employee entitlements	24	83,597	83,907
Borrowings (secured)	25	57,655	82,350
Finance lease obligations	26	910	890
		<u>465,757</u>	<u>488,587</u>
Current liabilities			
Trade and other payables	27	111,903	142,299
Taxation payable		1,607	4,712
Borrowings (secured)	25	79,641	47,051
Finance lease obligations	26	969	866
Due to associated companies		815	-
		<u>194,935</u>	<u>194,928</u>
Total equity and liabilities		<u><u>2,328,196</u></u>	<u><u>2,308,042</u></u>

The financial statements on pages 13 to 39 were approved by the board of directors on 14 May 2003 and were signed on its behalf by:

N G SANDYS-LUMSDAINE
D B WHITE

} Directors



COMPANY BALANCE SHEET 31 MARCH 2003

		2003	2002
			(Restated)
	Note	Sh'000	Sh'000
ASSETS			
Non current assets			
Property, plant and equipment	10	654,962	663,217
Prepaid operating leases	11	11,890	11,903
Investment properties	12	300,000	235,000
Investment in associated companies	13	79,837	79,837
Investment in subsidiaries	14	111,877	111,877
Other investments	15	8	8
		<u>1,158,574</u>	<u>1,101,842</u>
Current assets			
Inventories	16	32,133	31,860
Trade and other receivables	17	135,352	116,093
Due from associated companies		-	8,366
Due from subsidiary companies	18	16,054	67,396
Loans to subsidiaries		37,708	-
Tax recoverable		-	963
Short term deposits		24,000	13,000
Cash and bank balances		56,495	55,292
		<u>301,742</u>	<u>292,970</u>
Total assets		<u><u>1,460,316</u></u>	<u><u>1,394,812</u></u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	21	43,782	43,782
Revaluation surplus		481,985	478,103
Revenue reserve		510,548	527,919
Proposed dividend (gross)		32,836	4,378
		<u>1,069,151</u>	<u>1,054,182</u>
Non current liabilities			
Deferred income taxes	23	167,017	164,301
Provision for employee entitlements	24	45,905	50,270
Borrowings (secured)	25	36,429	50,710
		<u>249,351</u>	<u>265,281</u>
Current liabilities			
Trade and other payables	27	49,836	62,328
Due to subsidiary company	18	66,132	251
Taxation payable		524	-
Borrowings (secured)	25	24,732	12,770
Due to associated company		590	-
		<u>141,814</u>	<u>75,349</u>
Total equity and liabilities		<u><u>1,460,316</u></u>	<u><u>1,394,812</u></u>

The financial statements on pages 13 to 39 were approved by the board of directors on 14 May 2003 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 2003

	Share capital Sh'000	Revaluation surplus Sh'000	Revenue reserve Sh'000	Proposed dividend Sh'000	Total Sh'000
At 1 April 2001					
- as previously stated	43,782	992,954	603,488	43,782	1,684,006
Prior year adjustments (IAS 17):					
- reversal of revaluation surplus	-	(63,655)	-	-	(63,655)
- accumulated amortisation	-	-	(5,021)	-	(5,021)
As restated	43,782	929,299	598,467	43,782	1,615,330
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 adjustment	-	(1,614)	(6,778)	-	(8,392)
Share of deferred taxation of					
associated company	-	(1,417)	(855)	-	(2,272)
Net loss for the year	-	-	(26,922)	-	(26,922)
Dividends paid - 2001	-	-	-	(43,782)	(43,782)
Proposed dividend - 2002	-	-	(4,378)	4,378	-
At 31 March 2002	43,782	843,125	682,677	4,378	1,573,962
At 1 April 2002					
- as previously stated	43,782	906,780	687,818	4,378	1,642,758
Prior year adjustments (IAS 17):					
- reversal of revaluation surplus	-	(63,655)	-	-	(63,655)
- accumulated amortisation	-	-	(5,141)	-	(5,141)
As restated	43,782	843,125	682,677	4,378	1,573,962
Surplus realised on disposal of revalued					
assets	-	(844)	844	-	-
Deferred taxation adjustment	-	10,739	(10,739)	-	-
Net profit for the year	-	-	46,280	-	46,280
Dividends paid - 2002	-	-	-	(4,378)	(4,378)
Proposed dividend - 2003	-	-	(32,836)	32,836	-
At 31 March 2003	43,782	853,020	686,226	32,836	1,615,864

The prior year adjustments relate to the reversal of revaluation surplus on leasehold land and recognition of amortisation for prior years following the adoption of International Accounting Standard No. 17 on Leases.

Revaluation surplus is not distributable.



**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2003**

	Share capital Sh'000	Revaluation Surplus Sh'000	Revenue reserve Sh'000	Proposed dividend Sh'000	Total Sh'000
At 1 April 2001					
- as previously stated	43,782	561,755	456,907	43,782	1,106,226
Prior year adjustments (IAS 17):					
- reversal of revaluation surplus	-	(4,782)	-	-	(4,782)
- accumulated amortisation	-	-	(697)	-	(697)
As restated	43,782	556,973	456,210	43,782	1,100,747
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 adjustment	-	1,812	(3,201)	-	(1,389)
Net loss for the year	-	-	(6,026)	-	(6,026)
Dividend paid – 2001	-	-	-	(43,782)	(43,782)
Proposed dividend - 2002	-	-	(4,378)	4,378	-
At 31 March 2002	43,782	478,103	527,919	4,378	1,054,182
At 1 April 2002					
- as previously stated	43,782	482,885	528,629	4,378	1,059,674
Prior year adjustments (IAS 17):					
- reversal of revaluation surplus	-	(4,782)	-	-	(4,782)
- accumulated amortisation	-	-	(710)	-	(710)
As restated	43,782	478,103	527,919	4,378	1,054,182
Surplus realised on disposal of revalued assets	-	(306)	306	-	-
Deferred taxation adjustment	-	4,188	(4,188)	-	-
Net profit for the year	-	-	19,347	-	19,347
Dividend paid – 2002	-	-	-	(4,378)	(4,378)
Proposed dividend - 2003	-	-	(32,836)	32,836	-
At 31 March 2003	43,782	481,985	510,548	32,836	1,069,151

The prior year adjustments relate to the reversal of revaluation surplus on leasehold land and recognition of amortisation for prior years following the adoption of International Accounting Standard No. 17 on Leases.

Revaluation surplus is not distributable.



**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2003**

	Note	2003 Sh'000	2002 Sh'000
OPERATING ACTIVITIES			
Cash from operations	28(a)	123,365	56,865
Interest received		4,060	1,936
Interest paid		(10,748)	(9,306)
Terminal benefits paid		(9,295)	(15,399)
Taxation paid		(19,640)	(33,794)
		<hr/>	<hr/>
Net cash from operating activities		87,742	302
		<hr/>	<hr/>
INVESTING ACTIVITIES			
Purchase of plant and equipment		(73,991)	(87,058)
Proceeds from disposal of plant and equipment		4,023	6,227
Dividend received - from associated company		774	3,869
- other		1,456	487
		<hr/>	<hr/>
Net cash used in investing activities		(67,738)	(76,475)
		<hr/>	<hr/>
FINANCING ACTIVITIES			
Shareholder loan received		-	22,232
Other loans received	28(b)	-	35,717
Loans repaid	28(b)	(16,591)	-
Finance lease repayments		(1,149)	(549)
Dividends paid to shareholders		(4,378)	(43,911)
Dividends paid to minority interest		-	(1,448)
		<hr/>	<hr/>
Net cash (used in)/generated from financing activities		(22,118)	12,041
		<hr/>	<hr/>
DECREASE IN CASH AND CASH EQUIVALENTS		(2,114)	(64,132)
CASH AND CASH EQUIVALENTS AT 1 APRIL		63,590	127,722
		<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT 31 MARCH	28(c)	61,476	63,590
		<hr/> <hr/>	<hr/> <hr/>



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003

ACCOUNTING POLICIES

The financial statements are prepared in accordance with International Financial Reporting Standards. The principal accounting policies adopted in the preparation of these financial statements, which are set out below, remain unchanged from the previous years except for the implementation of the provisions of International Accounting Standard No. 17 with regard to accounting for leasehold land.

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

Subsidiary undertakings, being those companies in which the Group either directly or indirectly has an interest of more than 50% of the voting rights or otherwise has power to exercise control over the operations, have been consolidated. Subsidiaries are consolidated from the date on which effective control is transferred to the Group and are no longer consolidated as from the date of disposal. All inter company transactions balances and unrealised surpluses and deficits on transactions with the subsidiary company have been eliminated.

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 13.

Revenue recognition

Salcs are recognised upon despatch of goods with rental income being recognised on the accruals basis. Turnover represents the gross value of tea sold, rent and net amounts receivable for supply of other goods and services.

Inventories

Tea stocks are 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 cost.

Stores are stated at average purchase cost.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (continued)

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.

The bases of valuation are as follows:

Land and tea development costs – 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 and tea development expenditure. Capital work in progress is not depreciated until the asset is brought into use.

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 generally in use are as follows:

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

Leasehold land

Payments to acquire leasehold interest in land are treated as prepaid operating lease rentals and amortised over the period of the lease.

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.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (Continued)

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.

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.

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.

Retirement benefit obligations

The group operates a defined contribution 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. The group's contributions are charged to the income statement in the year to which they relate.

Impairment

At each balance sheet date, the group reviews the carrying amounts of its financial assets, 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 asset's recoverable amount is estimated and an impairment loss is recognized in the income statement whenever the carrying amount of the asset exceeds its recoverable amount.

CMA-LIBRARY



NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (Continued)

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight line basis over the terms of the relevant leases.

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

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

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.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Investments

Investments are recognised on a trade date basis and are initially measured at cost, including transaction costs.

Quoted investments are stated at market value. Unquoted investments are stated at cost less provision for impairment.

Bank borrowings

Interest bearing bank loans and overdrafts are recorded at the proceeds received, net of direct costs. Finance charges, including premiums payable on settlement or redemption, are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade payables

Trade payables are stated at their nominal value.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (Continued)

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).

Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year. In particular, comparative figures have been adjusted for change in presentation to ensure compliance with International Accounting Standard No. 17 on Leases.

2 SEGMENTAL INFORMATION

(a) Primary reporting format – Business segments

	Tea Sh'000	Property Sh'000	Generator trading Sh'000	Group Sh'000
2003				
Turnover	848,823	33,676	59,061	941,560
Operating profit	35,404	25,729	749	61,882
Group's share of associated companies' results	7,897	(563)	-	7,334
Segment assets	1,976,620	300,000	51,576	2,328,196
Segment liabilities	653,273	50,649	8,410	712,332
Depreciation	81,995	195	2,078	84,268
Capital expenditure	73,451	-	1,812	75,263
2002				
Turnover	879,992	27,684	102,560	1,010,236
Operating loss	(46,132)	18,707	1,689	(25,736)
Group's share of associated companies' results	(5,470)	(430)	-	(5,900)
Segment assets	1,906,841	332,095	69,106	2,308,042
Segment liabilities	694,231	15,470	24,379	734,080
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:

	2003 Sh'000	2002 Sh'000
United Kingdom	560,040	560,708
Kenya	375,086	435,850
Egypt	6,434	13,678
	<u>941,560</u>	<u>1,010,236</u>



NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2003 Sh'000	2002 Sh'000
3 OPERATING PROFIT/(LOSS)		
The operating profit/(loss) is arrived at after charging:		
Amortisation	50	50
Depreciation	84,268	67,362
Tea development costs written off	808	1,906
Directors' remuneration:		
Fees	678	646
Other emoluments	16,750	15,807
Staff costs (Note 4)	311,885	362,022
Auditors' remuneration	3,237	3,025
Deficit on revaluation of investment property	-	1,000
Loss on disposal of property plant and equipment	1,217	-
and after crediting:		
Profit on disposal of property plant and equipment	-	2,391
4 STAFF COSTS	=====	=====
Wages and salaries	267,965	300,647
Social security costs (NSSF)	9,667	6,804
Pension costs (defined contribution plan)	4,390	4,790
Terminal benefits	8,985	31,936
Leave pay provision	11,206	8,445
Medical expenses	9,672	9,400
	=====	=====
	311,885	362,022
	=====	=====
The average number of staff employed by the group during the year was as follows:	Number	Number
Permanent	3,937	3,940
Seasonal	652	943
	=====	=====
	4,589	4,883
	=====	=====
5 NET FINANCE COSTS	Sh'000	Sh'000
Interest receivable from short term deposits	4,060	1,161
Dividend income	1,456	30
Net foreign exchange differences	3,229	194
	=====	=====
	8,745	1,385
Interest expense:		
- bank overdrafts	(4,726)	(2,301)
- bank loans	(5,551)	(3,974)
- finance leases	(471)	(232)
	=====	=====
	(2,003)	(5,122)
	=====	=====



NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2003 Sh'000	2002 Sh'000
6 TAXATION		
(a) TAX CHARGE/(CREDIT)		
Current taxation based on the adjusted profit at 30%	17,703	14,202
Prior year under provision	(410)	491
	<hr/>	<hr/>
Deferred tax charge/(credit)	17,293 2,565	14,693 (21,720)
	<hr/>	<hr/>
	19,858	(7,027)
	<hr/>	<hr/>
Share of associated company's taxation:		
Current taxation	2,668	-
Deferred tax charge/(credit)	882	(1,667)
	<hr/>	<hr/>
	3,550	(1,667)
	<hr/>	<hr/>
	23,408	(8,694)
	<hr/> <hr/>	<hr/> <hr/>
(b) RECONCILIATION OF EXPECTED TAX BASED ON ACCOUNTING PROFIT TO TAX EXPENSE		
Accounting profit/(loss) before taxation	70,763	(38,425)
	<hr/> <hr/>	<hr/> <hr/>
Tax at the applicable rate of 30%	21,229	(11,528)
Tax effect of expenses not deductible for tax purposes	3,286	11,161
Tax effect of income not taxable	(697)	(8,818)
Prior year under provision	(410)	491
	<hr/>	<hr/>
	23,408	(8,694)
	<hr/> <hr/>	<hr/> <hr/>



NOTES TO THE FINANCIAL STATEMENTS (Continued)

7 PROFIT/(LOSS) AFTER TAXATION

A profit after taxation of Sh 19,347,000 (2002 – loss of Sh 6,026,000) has been dealt with in the financial statements of Williamson Tea Kenya Limited.

8 EARNINGS/(LOSS) PER SHARE

Earnings/(loss) per share is calculated by dividing the profit attributable to shareholders of Sh 46,280,000 (2002 – loss of Sh 26,922,000) by the number of shares in issue during the year of 8,756,320 (2002 – 8,756,320) shares.

There were no potentially dilutive shares outstanding at 31 March 2003 or 31 March 2002.

9 PROPOSED DIVIDEND

At the annual general meeting to be held on 23 July 2003, a first and final dividend in respect of 2003 of Sh 3.75 per share (2002 – Sh 0.50 per share) amounting to a total of Sh 32,836,200 (2002 – Sh 4,378,000) is to be proposed.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

10 PROPERTY, PLANT AND EQUIPMENT

GROUP

	Freehold 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
COST OR VALUATION						
At 1 April 2002						
- as previously stated	1,129,493	245,732	123,612	44,933	343	1,544,113
Reclassification to prepaid operating leases (note 11)	(106,372)	-	-	-	-	(106,372)
As restated	1,023,121	245,732	123,612	44,933	343	1,437,741
Additions	28,865	24,966	14,865	6,138	429	75,263
Disposals	(2,019)	(1,480)	(13,673)	(9,687)	-	(26,859)
Transfers	537	-	-	-	(537)	-
At 31 March 2003	1,050,504	269,218	124,804	41,384	235	1,486,145
Comprising:						
At valuation – 2002	1,021,102	243,796	-	-	-	1,264,898
At cost	29,402	25,422	124,804	41,384	235	221,247
	1,050,504	269,218	124,804	41,384	235	1,486,145
DEPRECIATION						
At 1 April 2002	-	593	92,089	29,784	-	122,466
Charge for the year	34,586	31,351	14,932	3,399	-	84,268
Eliminated on disposals	-	-	(12,481)	(8,330)	-	(20,811)
At 31 March 2003	34,586	31,944	94,540	24,853	-	185,923
NET BOOK VALUE						
At 31 March 2003	1,015,918	237,274	30,264	16,531	235	1,300,222
At 31 March 2002	1,023,121	245,139	31,523	15,149	343	1,315,275
NET BOOK VALUE (cost basis)						
At 31 March 2003	607,474	163,219	30,264	16,531	235	817,723
At 31 March 2002	666,620	144,938	31,523	15,149	343	858,573

To ensure compliance with International Accounting Standard No. 17 on Leases, the cost of leasehold land has been reclassified to prepaid operating leases. The revaluation surplus relating to leasehold land has also been reversed from property and equipment as disclosed in note 11.

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

Included in property, plant and equipment are assets with an original cost of Sh 84,267,000 (2002- Sh 82,212,000) which are fully depreciated and whose normal depreciation charge for the year would have been Sh 16,667,000 (2002 -Sh 17,644,000)

Land, buildings and development with net book value of Sh 1,015,918,000 (2002 – Sh 1,023,121,000) have been charged to secure banking facilities granted to the group as disclosed in note 25. The net book value of motor vehicles includes Sh 2,659,000 (2002 - Sh 2,277,000) in respect of assets that are the subject of finance leases



NOTES TO THE FINANCIAL STATEMENTS (Continued)

10 PROPERTY, PLANT AND EQUIPMENT (Continued)

COMPANY

	Freehold 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
COST OR VALUATION						
At 1 April 2002						
- as previously stated	551,693	106,265	53,983	22,906	-	734,847
Reclassification to prepaid operating leases (note 11)	(17,395)	-	-	-	-	(17,395)
As restated	534,298	106,265	53,983	22,906	-	717,452
Additions	14,647	8,540	6,137	2,104	235	31,663
Disposals	(1,331)	(740)	(8,817)	(3,591)	-	(14,479)
At 31 March 2003	547,614	114,065	51,303	21,419	235	734,636
Comprising:						
At valuation - 2002	532,967	105,525	-	-	-	638,492
At cost	14,647	8,540	51,303	21,419	235	96,144
	547,614	114,065	51,303	21,419	235	734,636
DEPRECIATION						
At 1 April 2002	-	-	37,369	16,866	-	54,235
Charge for the year	15,439	12,956	6,214	1,651	-	36,260
Eliminated on disposals	-	-	(7,850)	(2,971)	-	(10,821)
At 31 March 2003	15,439	12,956	35,733	15,546	-	79,674
NET BOOK VALUE						
At 31 March 2003	532,175	101,109	15,570	5,873	235	654,962
At 31 March 2002	554,298	106,265	16,614	6,040	-	663,217
NET BOOK VALUE (cost basis)						
At 31 March 2003	331,334	58,202	15,570	5,873	235	411,214
At 31 March 2002	345,770	64,723	16,614	6,040	-	433,147

To ensure compliance with International Accounting Standard No. 17 on Leases, the cost of leasehold land has been reclassified to prepaid operating leases. The revaluation surplus relating to leasehold land has also been reversed from property and equipment as disclosed in note 11.

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

Included in property, plant and equipment are assets with an original cost of Sh 40,120,000 (2002- Sh 44,664,000) which are fully depreciated and whose normal depreciation charge for the year would have been Sh 8,567,000 (2002 -Sh 9,964,000)

Land, buildings and development with net book value of Sh 532,175,000 (2002 - Sh 554,298,000) have been charged to secure banking facilities granted to the company as disclosed in note 25.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

11 PREPAID OPERATING LEASES

	GROUP Sh'000	COMPANY Sh'000
COST		
Reclassified from property, plant and equipment (note 10)	106,372	17,395
Reversal of revaluation surplus as required by IAS 17	(56,191)	(4,782)
	<u>50,181</u>	<u>12,613</u>
At 31 March 2003 and 31 March 2002 as restated		
AMORTISATION		
At 1 April 2002, as previously stated	-	-
Amortisation for prior years	3,998	710
	<u>3,998</u>	<u>710</u>
As restated	3,998	710
Amortisation for the year	50	13
	<u>4,048</u>	<u>723</u>
At 31 March 2003		
NET BOOK VALUE		
At 31 March 2003	46,133	11,890
	<u>46,133</u>	<u>11,890</u>
At 31 March 2002	46,183	11,903
	<u>46,183</u>	<u>11,903</u>

Leasehold land with net book value of Sh 46,133,000 (2002 – Sh 46,183,000) have been charged to secure banking facilities granted to the group as disclosed in note 25.

	GROUP		COMPANY	
	2003 Sh'000	2002 Sh'000	2003 Sh'000	2002 Sh'000
12 INVESTMENT PROPERTIES				
At 1 April 2002 and 31 March 2003 – at fair value	300,000	300,000	300,000	235,000
	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	<u>235,000</u>
COST	179,154	131,171	179,154	114,154
	<u>179,154</u>	<u>131,171</u>	<u>179,154</u>	<u>114,154</u>

The investment properties were revalued as at 31 March 2002 by Lloyd Masika Limited, Registered Valuers and Estate Agents. In the opinion of the directors, the carrying value of the investment properties at 31 March 2003 approximates to their fair value.

During the year, investment properties with a fair value of Sh 65,000,000 were transferred to the company by its subsidiary, Tea Properties Limited.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2003 Sh'000	2002 Sh'000
13 INVESTMENT IN ASSOCIATED COMPANIES		
GROUP		
Kapchorua Tea Company Limited (Quoted); 39.56% owned: At share of net assets (market value – Sh 212,046,000 2002 - Sh 212,045,000)	159,880	152,757
Williamson Developments Limited (Unquoted) - 50% Share of net assets	21,201	21,764
	<u>181,081</u>	<u>174,521</u>
COMPANY		
Kapchorua Tea Company Limited (Quoted); 39.56% owned: At cost - (market value – Sh 212,046,000 2002 - Sh 212,045,000)	49,479	49,479
Williamson Developments Limited (Unquoted) - 50% owned at cost and directors' valuation	30,358	30,358
	<u>79,837</u>	<u>79,837</u>
The movement in Group investment in associated companies is as follows:		
At 1 April – as previously stated	189,108	190,732
Prior year adjustments		
-reversal of revaluation surplus	(13,003)	(13,003)
-accumulated amortisation	(1,584)	(1,509)
As restated	174,521	176,220
Share of profit/(loss) before taxation	10,884	(7,567)
Share of tax	(3,550)	1,667
Dividend received	(774)	(3,869)
Share of revaluation surplus	-	10,342
Share of deferred tax movement	-	(2,272)
At 31 March	<u>181,081</u>	<u>174,521</u>

The details of the above associated companies are as follows:

Company	Share capital Sh	% owned	Country of Incorporation	Principal activity
Kapchorua Tea Company Ltd	19,560,000	39.56%	Kenya	Cultivation, manufacture and sale of tea
Williamson Developments Ltd	3,600	50 %	Kenya	Property management



NOTES TO THE FINANCIAL STATEMENTS (Continued)

		2003 Sh'000	2002 Sh'000
14	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/>
	(b) Unquoted investment at cost in Tinderet Tea Estates (1989) Limited (82% owned)	8,554	8,554
		<hr/>	<hr/>
		103,323	103,323
		<hr/>	<hr/>
		111,877	111,877
		<hr/>	<hr/>

The details of the above 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	Dormant company.
Lelsa Tea Estates Limited	4,000,000	Kenya	Cultivation, manufacture and sale of tea.
Tinderet Tea Estates (1989) Limited	100,000	Kenya	The company did not trade in the year.
			Cultivation, manufacture and sale of tea.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

	GROUP		COMPANY	
	2003 Sh'000	2002 Sh'000	2003 Sh'000	2002 Sh'000
15 OTHER INVESTMENTS				
Unquoted:				
At directors' valuation				
- Trade	15	15	8	8
- Other	3	3	-	-
	<u>18</u>	<u>18</u>	<u>8</u>	<u>8</u>
Quoted:				
At market value	1	1	-	-
	<u>19</u>	<u>19</u>	<u>8</u>	<u>8</u>
16 INVENTORIES				
Tea stocks	51,668	66,192	22,284	23,062
Tea nursery	11,895	12,858	4,103	3,635
Firewood	5,390	4,535	1,769	1,705
Stores	32,388	18,213	3,977	3,458
Generators	6,482	13,207	-	-
Work in progress	374	170	-	-
Goods in transit	31	-	-	-
Other	148	-	-	-
	<u>108,376</u>	<u>115,175</u>	<u>32,133</u>	<u>31,860</u>
17 TRADE AND OTHER RECEIVABLES				
Trade	182,070	159,945	71,771	59,125
Staff	42,626	53,490	27,028	35,075
Loans to directors	7,568	10,386	7,568	10,386
Other	41,896	30,045	28,985	11,507
	<u>274,160</u>	<u>253,866</u>	<u>135,352</u>	<u>116,093</u>



NOTES TO THE FINANCIAL STATEMENTS (Continued)

		2003 Sh'000	2002 Sh'000
18	DUE FROM SUBSIDIARY COMPANIES		
	Kaimosi Tea Estates Limited	1,788	29,052
	Williamson Power Limited	11,447	13,338
	Tinderet Tea Estates (1989) Limited	2,819	25,006
		<u>16,054</u>	<u>67,396</u>
	DUE TO SUBSIDIARY COMPANY		
	Tea Properties Limited	66,132	251
		<u>66,132</u>	<u>251</u>
		GROUP	COMPANY
		2003 Sh'000	2002 Sh'000
19	SHORT TERM DEPOSITS		
	NIC Bank Limited	8,000	8,000
	Commercial Bank of Africa Limited	10,000	10,000
	Credit Agricole Indosuez	6,000	22,000
		<u>24,000</u>	<u>13,000</u>
		<u>24,000</u>	<u>13,000</u>
	All deposits mature within three months of the balance sheet date. The effective interest rate on short term deposits was 4.0% (2002 - 7.5%).		
20	RELATED PARTIES		
	The group transacts with the ultimate holding company and other companies related to it by virtue of common shareholding. These transactions were at arm's length and in the normal course of business.		
	During the year, the following transactions were entered into with related parties:		
		2003 Sh'000	2002 Sh'000
	Sales through a related party	560,040	560,708
	Commissions paid on private tea sales	17,368	17,736
	Technical expertise	-	3,498
	Agency commission received	10,415	15,079
	Purchase of green leaf	-	1,931
		<u>587,823</u>	<u>608,952</u>
	The group received a loan of GBP 200,000 during the financial year ended 31 March 2002 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 2003 was Sh 24,033,000 as disclosed in note 25.		
21	SHARE CAPITAL	2003 Sh'000	2002 Sh'000
	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)

	2003 Sh'000	2002 Sh'000
22 MINORITY INTEREST		
At 1 April – as previously stated	56,545	58,536
Prior year adjustments		
-reversal of revaluation surplus	(5,539)	(5,539)
-accumulated amortisation	(441)	(436)
As restated	50,565	52,561
Share of profit/(loss)	1,075	(2,809)
Dividend paid	-	(1,448)
Share of revaluation surplus	-	3,072
Share of deferred tax movement	-	(811)
At 31 March	51,640	50,565

23 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	
	2003 Sh'000	2002 Sh'000	2003 Sh'000	2002 Sh'000
The net deferred taxation liability is attributable to the following items:				
Accelerated capital allowances	180,800	173,174	93,294	88,665
Unrealised exchange gains/(losses)	32	(344)	325	-
Provision for employee entitlements	(25,079)	(25,172)	(13,677)	(15,081)
Leave pay provision	(2,996)	(3,660)	(11,683)	(2,443)
Revaluation surplus	186,737	197,008	100,870	105,058
Tax losses	(15,899)	(19,566)	(2,112)	(11,898)
	323,595	321,440	167,017	164,301

The movement on the deferred tax account is as follows:

	GROUP		COMPANY	
	2003 Sh'000	2002 Sh'000	2003 Sh'000	2002 Sh'000
At 1 April	321,440	333,957	164,301	176,265
Income statement tax charge/(credit)	2,155	(21,720)	2,716	(13,353)
Capital reserve debit	-	8,392	-	1,389
Minority interest	-	811	-	-
At 31 March	323,595	321,440	167,017	164,301



NOTES TO THE FINANCIAL STATEMENTS (Continued)

		GROUP		COMPANY	
		2003 Sh'000	2002 Sh'000	2003 Sh'000	2002 Sh'000
24	PROVISION FOR EMPLOYEE ENTITLEMENTS				
	At 1 April	83,907	67,370	50,270	39,212
	Provision during the year	8,985	31,936	(697)	17,544
	Payments in the year	(9,295)	(15,399)	(3,668)	(6,486)
		<u>83,597</u>	<u>83,907</u>	<u>45,905</u>	<u>50,270</u>
25	BORROWINGS				
	Bank loans	57,563	75,147	27,403	35,597
	Bank overdrafts	55,700	32,022	9,725	5,651
	Shareholder loan	24,033	22,232	24,033	22,232
		<u>137,296</u>	<u>129,401</u>	<u>61,161</u>	<u>63,480</u>
The borrowings are repayable as follows:					
	On demand and within one year	79,641	47,051	24,732	12,770
	In the second year	23,940	22,440	15,008	14,530
	In the third to fifth year inclusive	33,715	59,910	21,421	36,180
		<u>137,296</u>	<u>129,401</u>	<u>61,161</u>	<u>63,480</u>
	Amounts due for settlement within one year	79,641	47,051	24,732	12,770
	Amounts due for settlement after one year	<u>57,655</u>	<u>82,350</u>	<u>36,429</u>	<u>50,710</u>
Analysis of borrowings by currency-Group					
		Borrowings in KES Sh'000	Borrowings in USD Sh'000	Borrowings in GBP Sh'000	TOTAL Sh'000
2003					
	Bank loans	-	57,563	-	57,563
	Bank overdrafts	9,785	45,915	-	55,700
	Shareholder loan	-	-	24,033	24,033
		<u>9,785</u>	<u>103,478</u>	<u>24,033</u>	<u>137,296</u>
2002					
	Bank loans	-	75,147	-	75,147
	Bank overdrafts	1,696	30,326	-	32,022
	Shareholder loan	-	-	22,232	22,232
		<u>1,696</u>	<u>105,473</u>	<u>22,232</u>	<u>129,401</u>



NOTES TO THE FINANCIAL STATEMENTS (Continued)

25 BORROWINGS (continued)

	2003 %	2002 %
The average interest rates paid by the group were as follows:		
Bank loans	7.5	8.5
Bank overdraft - Ksh	15.0	16.0
Bank overdraft - US \$	7.5	8.5
Share holder loan -GBP	5.0	5.0

The group has undrawn committed borrowing facilities amounting to Sh 154,772,000 (2002 - Sh 158,795,000). 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 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.

26 FINANCE LEASE OBLIGATIONS - GROUP

	Minimum Lease payments (including finance charges)		Present value of Minimum lease payments (excluding finance charges)	
	2003 Shs'000	2002 Shs'000	2003 Shs'000	2002 Shs'000
Within one year	1,361	1,217	969	866
In second year	1,150	1,233	791	866
In the third to fifth year inclusive	22	-	119	24
	<u>2,533</u>	<u>2,450</u>	<u>1,879</u>	<u>1,756</u>
Less: Future finance charges	(654)	(694)	N/A	N/A
Present value of lease obligations	<u>1,879</u> ✓	<u>1,756</u> ✓	<u>1,879</u>	<u>1,756</u>
Amounts due for settlement within one year			969	866
Amounts due for settlement after one year			<u>910</u>	<u>890</u>

The average lease period is 3 years. The average interest rates paid was 12.5% (2002 - 14.4%). The finance leases are secured by motor vehicles which are the subject of the finance leases.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

		GROUP		COMPANY	
		2003 Sh'000	2002 Sh'000	2003 Sh'000	2002 Sh'000
27	TRADE AND OTHER PAYABLES				
	Trade payables	27,309	30,939	15,657	6,681
	Green leaf provision	30,094	14,404	2,252	3,041
	Other payables	52,388	95,255	29,815	50,905
	Unclaimed dividends	2,112	1,701	2,112	1,701
		<u>111,903</u>	<u>142,299</u>	<u>49,836</u>	<u>62,328</u>
28	NOTES TO THE CASH FLOW STATEMENT				
			2003 Sh'000	2002 Sh'000	
	(a) Reconciliation of operating profit/(loss) to cash generated from operations				
	Operating profit/(loss)		61,882	(25,736)	
	Adjustments for:				
	Depreciation		84,268	67,362	
	Amortisation		50	50	
	Loss/(profit) on disposal of plant and equipment		1,217	(2,391)	
	Tea development costs written off		808	1,906	
	Exchange differences		4,037	144	
	Provision for terminal benefits		8,985	31,936	
	Deficit on revaluation of investment property		-	1,000	
			<u>161,247</u>	<u>74,271</u>	
	Operating profit before working capital changes				
	Decrease in inventories		6,799	121,907	
	Increase in trade and other receivables		(20,294)	(42,782)	
	Decrease in trade and other payables		(30,396)	(92,516)	
	Movement in associated company balances		6,009	(4,015)	
			<u>123,365</u>	<u>56,865</u>	
	(b) Analysis of changes in loans				
	At 1 April		75,147	39,480	
	Loans received		-	35,717	
	Loans repaid		(16,591)	-	
	Exchange gain		(993)	(50)	
			<u>57,563</u>	<u>75,147</u>	



NOTES TO THE FINANCIAL STATEMENTS (Continued)

28 NOTES TO THE CASH FLOW STATEMENT (Continued)

	2003 Sh'000	2002 Sh'000
(c) Analysis of cash and cash equivalents		
Short term deposits	24,000	22,000
Cash and bank balances	93,176	73,612
Bank overdrafts (secured)	(55,700)	(32,022)
	<hr/>	<hr/>
At 31 March	61,476	63,590
	<hr/>	<hr/>

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 (2002 – Sh 1,330,000).

	GROUP		COMPANY	
	2003 Sh'000	2002 Sh'000	2003 Sh'000	2002 Sh'000
29 CAPITAL COMMITMENTS				
Authorised but not contracted for	80,191	78,199	36,299	37,626
	<hr/>	<hr/>	<hr/>	<hr/>

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

30 OPERATING LEASE ARRANGEMENTS

The group as a lessor

Property rental income earned during the year was Sh 34,326,000 (2002 – Sh 23,778,000). At the balance sheet date, the group had contracted with tenants for the following future lease receivables.

	2003 Sh'000	2002 Sh'000
Within one year	27,863	9,576
In the second to fifth years inclusive	39,141	25,349
	<hr/>	<hr/>
	67,004	34,925
	<hr/>	<hr/>

Leases are negotiated for an average term of two years for residential properties and four years for non-residential properties, and rentals are reviewed annually. The leases are cancellable with no penalty when the tenants give three months notice to vacate the premises.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

	GROUP		COMPANY	
	2003 Shs'000	2002 Shs'000	2003 Shs'000	2002 Shs'000
31 CONTINGENT LIABILITIES				
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
Liability in respect of disputed bill from a supplier	-	9,389	-	9,389
	<u>-</u>	<u>9,389</u>	<u>-</u>	<u>33,418</u>
	<u>-</u>	<u>9,389</u>	<u>-</u>	<u>33,418</u>

32 COUNTRY OF INCORPORATION

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

33 ULTIMATE HOLDING COMPANY

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

34 CURRENCY

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



THREE YEAR COMPARATIVE STATEMENT

		2003	2002 (Restated)	2001 (Restated)
Tea Production				
Area under tea	Hectare	2,015	1,991	1,989
Made tea - own	'000 Kgs	5,857	6,394	6,950
- Bought leaf	'000 Kgs	1,419	1,120	3,383
Total	'000 Kgs	7,276	7,514	10,333
Tea sold	'000 Kgs	7,396	8,477	7,561
Average price per Kg gross Sh/Ct		113/29	103/65	137/98
Turnover (Sh'000)				
		941,560	1,010,236	1,255,517
Profit (Sh'000)				
Profit/(loss) before taxation		70,763	(38,425)	215,539
Taxation		(23,408)	8,694	(74,955)
Profit after taxation		47,355	(29,731)	140,584
Minority interest		(1,075)	2,809	(4,346)
Dividends		(32,836)	(4,378)	(43,782)
Net profit/(loss) for the year		13,444	(31,300)	92,456
Capital employed (Sh'000)				
Property, plant & equipment		1,300,222	1,315,275	1,674,691
Investments and long term receivables		527,233	520,723	190,751
Current assets		500,741	472,044	592,414
Total assets		2,328,196	2,308,042	2,457,856
Financed by (Sh'000)				
Share capital		43,782	43,782	43,782
Reserves		1,572,082	1,530,180	1,640,224
Shareholders' funds		1,615,864	1,573,962	1,684,006
Minority interest		51,640	50,565	58,536
Medium term borrowings		58,565	83,240	38,273
Non current liabilities		83,597	83,907	67,370
Current liabilities		194,935	194,928	275,714
Deferred income taxes		323,595	321,440	333,957
		2,328,196	2,308,042	2,457,856
Earnings/(loss) per share	Cents	529	(307)	1,556
Dividend per share	%	75	20	100
Dividend per share	Cents	375	100	500
Dividend cover	Times	1.41	-	3.11



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 23rd July, 2003 and at any adjournment thereof.

Dated this day of 2003

Signature

Address

.....

.....

I desire to vote* in favour of the resolution
against

CMA-LIBRARY

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

