



CMA-TERRARY

WILLIAMSON TEA  
KENYA LIMITED

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*Report*

— & —

*Accounts*

— • —

31 March 2005

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REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2005

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1. Tea trade -- Kenya -- Penobdical  
2. Tea trade -- Williamson tea -- Kenya



## NOTICE OF THE MEETING

**NOTICE IS HEREBY GIVEN** that the fifty-fifth ANNUAL GENERAL MEETING of the shareholders will be held at the Nairobi Club, Ngong Avenue, on 14th July, 2005 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 2005.
2. To declare a dividend.
3. To elect Directors:  
  
Messrs E.A. Bristow and E.N. Wanjama retire by rotation and being eligible, offer themselves for re-election.
4. To approve the remuneration of the Directors.
5. To authorise the Directors to fix the remuneration of the Auditors.
6. To transact such other competent business as may be brought before the meeting.

BY ORDER OF THE BOARD.

**M.M. WACHIRA**  
SECRETARY

23 May 2005

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.

2007/1104





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:

Williamson Power Limited - GENERATOR SERVICES  
Tea Properties Limited - DORMANT  
Tea Manufacturing and Supplies Limited - DORMANT  
Lelsa Tea Estates Limited - DORMANT

Other:

Williamson Developments Limited - (50%) owned) - PROPERTY

DIRECTORS AND PROFESSIONAL ADVISERS

DIRECTORS

N G Sandys-Lumsdaine\* -Executive Chairman  
E A Bristow  
S C A Kocch  
P Magor\*  
E N K Wanjama  
D B White  
I D C Burrridge\*

\* British

SECRETARY

M. M. Wachira  
Certified Public Secretary (Kenya)  
P O Box 42281 - 00100, Nairobi

REGISTERED OFFICE

Williamson House, 1<sup>st</sup> Floor,  
4th Ngong Avenue,  
P O Box 42281 - 00100, Nairobi

AUDITORS

Deloitte & Touche  
Certified Public Accountants (Kenya)  
"Kirungii", Ring Road, Westlands,  
P O Box 40092 - 00100, Nairobi

BANKERS

Barclays Bank of Kenya Limited  
Barclays Plaza Business Centre, P O Box 46661 - 00100, Nairobi  
  
Standard Chartered Bank Kenya Limited  
Kenyatta Avenue Branch, P O Box 40310 - 00100, Nairobi

LAWYERS

Kaplan & Stratton  
Williamson House, 9th Floor, 4th Ngong Avenue, P O Box 40111 - 00100, Nairobi  
  
Walker Kontos  
Hakika House, Bishops Road, P O Box 60680 - 00200, Nairobi



## CHAIRMAN'S STATEMENT

The weather was generally better than last year resulting in a record crop from our own Estates as well as from the greatly increased number of outgrowers. Our own crop was 6,783,359 Kgs (5,938,474 Kgs the previous year) and outgrowers was 3,603,152 Kgs (1,971,436 Kgs the previous year).

Unfortunately record crops did not lead to record profits, because of the strengthening of the Kenya Shilling and the lowering in the world tea prices. The profit before tax for the year was Shs. 139 million compared with the previous Shs. 123 million.

Our wages were increased by 8% (2004 8%) under the two year Collective Bargaining Agreement with The Kenya plantation and Agricultural Workers Union resulting in additional cost to our production, particularly the provision for service gratuity, a statutory requirement.

The "World Tea Oversupply" position continues, reducing the prospects for an improvement in prices.

Notwithstanding what has to be a cautious view as to prospects for the future your Directors feel justified in recommending payment of a Dividend of Shs 5 per share. (2004 - Shs. 3/75).

### TEA

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

	2005	2004	2003
CHANGOI	4,529,735	3,714,073	3,437,364
KAIMOSI	3,635,214	2,535,558	2,288,501
TINDERET	2,221,562	1,660,279	1,549,775

### CAPITAL INVESTMENT

During the year we invested Shs. 79,024,000 in new factory machinery, buildings, schools, labour housing and upgrading of transport on our Estates. A further Kshs 16,841,000 was spent on land preparation and planting of new Tea fields and fuel plantations.

### PROPERTY

The Williamson House property continues with full occupancy for the eight floors under our ownership following the changes last year.

### WILLIAMSON POWER

There were no major changes in operations.

### ENVIRONMENT

The Estates have continued with their planned and sustainable programmes of tree planting for both fuel and timber including developing nurseries and planting a wide variety of indigenous trees and bamboo throughout the Estates.

On all our properties Environmental Impact Audits were carried out as required under the National Environmental Management Act.



## CHAIRMAN'S STATEMENT (Continued)

### SOCIAL CONTRIBUTION

The major salient facts under this heading include:-

- i) There are now 4,713 workers and over 20,000 dependants within the Group Estates. We operate 4 Primary Schools, 1 Secondary School, and 5 Health Clinics. In addition we continue to 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. 1,052,040,000 (2004 Shs 801,993,000).
- iii) The Group paid to the Government Corporation Tax of Shs. 38,305,000 and Agricultural Produce Cess to the Tea Board of Kenya of Shs. 5,803,000 for disbursement to the Local Councils and Tea Road Committees in the areas where we operate.
- iv) Revenue expenditure of Shs. 16,298,000 was spent on a wide range of social welfare, health and educational services while Shs. 16,276,000 was spent on Capital Expenditure in respect of Welfare Facilities at the Estates.
- v) Certificates of Compliance are held from the Tea Sourcing Partnership in the United Kingdom, confirming the high standards of our operating procedures and Corporate Social Responsibility.

### CORPORATE GOVERNANCE

Your Board places great emphasis on maintaining a high level of Corporate Governance and an expanded note is contained on pages 9 and 10 of these accounts.

### STAFF

Messrs. Samuel Thumbi, Tom Llyod and John Kosgei continue as General Managers at Changoi, Tinderet and Kaimosi respectively as does Solomon Koech as Visiting Agent and Zabron Mugo as our Group Engineer.

On your behalf I would like to thank them together with all Management and Staff at all levels including our Nairobi Office and Engineering Staff for their hard work and often long hours to produce the results achieved.

Finally, I would wish to thank my fellow Directors for their support and contribution both within and outside our regular Board and Audit Committee Meetings.

N.G.SANDYS-LUMSDAINE  
Chairman

7th June 2005



## NAKALA YA MWENYEKITI

Hali ya hewa mwaka uliopita ilikuwa bora kuliko ya mwaka uliotangulia. Hali hii ilichangia mapato ya juu kutoka mashamba yetu yote pamoja na wakusa majani wa nje ambao pia waliongezeka sana ikilinganishwa na mwaka uliotangulia. Mazao yetu binafsi yalikuwa kilo 6,783,359 (mwaka uliopita yalikuwa kilo 5,938,474) na kilo 3,603,152 zilipatikana kutoka kwa wakuza majani wa nje (mwaka uliopita 1,971,436).

Hata ingawa mwaka huu mazao yalikuwa ya viwango vya juu kupindukia, hali hii kwa bahati mbaya haikuelekeza kupata faida ya juu. Hali ambayo ilisababishwa na kuimalika kwa shilingi ya Kenya na bia kupunguka kwa bei ya chai katika masoko ya kimataifa. Faida kabla ya ushuru ilikuwa shilingi milioni 139, ikilinganishwa na Shilingi milioni 123 ya mwaka uliotangulia.

Mshahara kwa wafanyi kazi mashambani uliongezwa kwa asilimia nane (mwaka uliopita 2004 ilikuwa ya asilimia nane). Hii ni kufuatia yale mapatano ya chama cha wafanyi kazi na kile cha Uajiri. Hii ilisababisha kuongezeka zaidi gharama ya kuzalisha mazao, hasa kugharimia huduma ya ada ya kusitahafisha wafanyi kazi vile ilivyoamrisha kisheria.

Viwango vya juu vya majani chai katika soko la Kimataifa vinaendelea mwaka huu. Hali hii itaendelea kusababisha upungufu kwa matarajio ya kuimalika bei ya majani chai katika soko la kimataifa.

Kufuatia matokeo haya na kutarajiwa kuwemo na upungufu wa bei kwa masoko ya ulimwenguni baadaye mwaka huu, wakurugenzi wenu wamependekeza gawio la Shilingi tano kwa kila hisa moja (mwaka uliopita 2004 Shs. 3/75)

### CHAI

Mazao yaliyopatikana kwa kilo yalikuwa kama ifuatavyo:-

	2005	2004	2003
CHANGOI	4,529,735	3,714,073	3,437,364
KAIMOSI	3,635,214	2,535,558	2,288,501
TINDERET	2,221,562	1,660,279	1,549,775

### RASIMALI

Hapo mwakani jumla ya Shs. 79,024,000 zilitumika kwa mipango ya kugharamia mitambo mpya katika viwanda vyetu pamoja na upandaji michai, ujenzi wa manyumba, mashule, makao ya wafanyi kazi na kustawisha uchukuzi. Na zingine Shs 16,841,000 zikatumiwa kwa kuandalia upandaji wa michai pamoja na miti ya kuni.

### MALI

Kufuatia mabadiliko ya mwaka uliopita Nyumba ya Williamson inaendelea kuwa na wateja katika orofa zote tisa tunasomiliki

### UHANDISI

Hatukuwa na mabadiliko yoyote mwaka huu.

### MAZINGARA

Mashamba yote yanaendelea na mpango wa kupanda miti ya misitu pamoja na ile ya kiasili na ile ya bamboo.

Pia mashamba yote yanaendelea upandaji wa miti ya kuni pamoja na ya kutoa mbao ambayo inausiwa watu wa nje.

Katika mashamba yetu yote mkaguo kuhusu pigo kwa Mazingira ulifanyika vile ilivyopendeza na Hali mashauri ya taifa kuhusu Mazingira humu inchini.



## NAKALA YA MWENYEKITI (Yaendelea)

### **MCHANGO WA MAMBO YA JAMII**

Mambo makubwa chini ya dibaji hii ni pamoja na:

- (i). Sasa kuna wafanyi kazi 4,713 walioajiriwa, na 20,000 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 kigeni tulizozipata zilikuwa Sh.1,052,040,000(2004 Sh 801,993,000)
- (iii). Kampuni hii na viunga vyake imelipa srikali kodi ya Shs.38,305,000, na kodi zingine za Tea Board of Kenya za Sh5,803,000 ambazo zinatumika kwa mabaraza ya miji na pia kwa kamiti ya kusitawisha mabarabara katika wilaya zile tunakuza chai.
- (iv). Kampuni zetu zilitumia Sh.16,298,000 kama rasilimali ya kutoa huduma bora hasa vifaa vya elimu na afya kote kundini. Na zingine Sh16,276,000 zilitumika kwa rasimali ya kudumu kwa mambo ya jamii kote mashambani.
- (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.

### **UMOJA WA KUONGOZA**

Bodi yenu inatilia mkazo kwa kudhumisha hali ya juu ya umoja wa kuongoza mashirika ilivyopendekezua. Kuna hati inayoelezea zaidi kuhusu umoja huu wa kuongoza mashirika katika ukulasa wa .....

### **WAFANYI KAZI**

Bwana Samuel Thumbi, Bwana Tom Lloyd na Bwana John Kosgei wanaendelea kama meneja wakuu kule Changoi, Tinderet pamoja na Kaimosi

Na Bwana Solomon Koech anaendelea kama mkurugenzi mtendaji kote kundini na Zabron Mugo akiwa ndiye mhandisi mkuu.

Kwa niaba yenu ningependa kuwashukuru 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 kumalisia ninatoa shukurani kwa wakurugenzi wenu kwa kutimiza wajibu wao na pia kwa kuhudhuria vikao vya Bodi pamoja na mambo ya ile mikutano ya mkaguo wa hesabu katika kamati yetu kila mara.

N.G.SANDYS-LUMSDAINE  
Mwenyekiti

7th June 2005



## REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements of the group for the year ended 31 March 2005.

### ACTIVITIES

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

### GROUP RESULTS

	Sh'000
Profit before taxation	139,754
Taxation charge	(43,182)
	<hr/>
Profit after taxation	96,572
Minority interest	(8,341)
	<hr/>
Net profit for the year	88,231
	=====

### DIVIDENDS

The directors recommend the payment of a first and final dividend of Sh 5 per share, totalling Sh 43,781,600 in respect of the year.

### DIRECTORS

The current board of directors is shown on page 3.

In accordance with the articles of association, Mr E.A. Bristow and Mr E.N. Wanjama retire by rotation and, being eligible, offer themselves for re-election.

### SECRETARY

Mr A M Mulila resigned as company secretary on 1 February 2005 and was replaced on that date by Mr M M Wachira.

### 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

M. M. WACHIRA  
Secretary

23rd May 2005



## 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 Standards.

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 for scheduled meetings and on other occasions to deal with specific matters that may require attention between the scheduled meetings. 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. Scheduled meetings include review of annual and half year accounts and annual budgets together with monitoring of business and operational issues. During the year the board held six meetings. Except for direction and guidance on general policy, the Board has delegated authority for conduct of the day-to-day business to the Chief Executive assisted by a Team of able Managerial Staff.

### AUDIT COMMITTEE

The Board constituted the Audit Committee in 1998 which meets at least four times in the year and chaired by an independent non executive Director. Its responsibilities include but not limited to review of financial information in particular half year and annual financial statements, annual budgets, liaison with the external auditor and maintaining oversight on internal controls. During the year the committee held four meetings including an extensive visit to the Estates.

### 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 regularly.

### 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.



## CORPORATE GOVERNANCE (Continued)

### MAJOR SHAREHOLDERS AND ANALYSIS OF SHAREHOLDERS

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

As at 31 March 2005 the top 10 major shareholders were as follows;

	Name	Location Shares	No of	%
1.	Ngong Tea Holdings Limited	England	4,506,164	51.50
2.	Upstream Investments Limited	Nairobi	324,673	3.70
3.	The Heritage All Insurance Co. Ltd	Nairobi	215,000	2.50
4.	Insurance Company of East Africa Ltd	Nairobi	150,000	1.70
5.	Barclays (Kenya) Nominees Ltd A/c 9230	Nairobi	115,792	1.30
6.	Old Mutual Life Assurance Co. Ltd	Nairobi	112,444	1.30
7.	Registered Trustees	Nairobi	112,011	1.30
8.	Barclays (Kenya) Nominees Ltd A/c 9230	Nairobi	100,000	1.10
9.	Phoenix E.A. Assurance Co. Ltd	Nairobi	84,856	1.00
10.	Travis ( E.A) Ltd	Nairobi	77,366	0.90

### Analysis of Shareholders

By region:

Region	Number	Shares held	%
Foreign investors	49	4,637,787	53.00
Local & East Africa investors (Individuals)	997	1,746,907	19.90
Local & East Africa investors (Institutional)	180	2,371,626	27.10
	1,226	8,756,320	100.00
	=====	=====	=====

By shares distribution:

Less than 500	472	138,073	1.60
500-10,000	624	943,559	10.80
5,001- 100,000	70	513,142	5.90
10,001- 100,000	53	1,625,462	18.50
100,001-1,000,000	6	1,029,920	11.70
Above 1,000,000	1	4,506,164	51.50
	1,226	8,756,320	100.00
	=====	=====	=====





## 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 the group's 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 going concerns for at least the next twelve months from the date of this statement.

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N.G. SANDYS-LUMSDAINE  
Director

---

D. B. WHITE  
Director

23rd May 2005



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

We have audited the financial statements on pages 13 to 41 for the year ended 31 March 2005 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 2005 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 Kenyan Companies Act.

DELOITTE & TOUCHE  
Certified Public Accountants (Kenya)

10th June 2005



CONSOLIDATED INCOME STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2005

	Note	2005 Sh'000	2004 Sh'000
REVENUE FROM SALE OF TEA	2(b)	1,198,588	855,610
FAIR VALUE LOSS ON BIOLOGICAL ASSETS	16	(28,010)	(5,809)
OPERATING INCOME		1,170,578	849,801
COST OF SALES		(965,371)	(712,961)
GROSS PROFIT		205,207	136,840
OTHER OPERATING INCOME		114,763	94,497
DISTRIBUTION COSTS		(91,125)	(75,072)
ADMINISTRATIVE EXPENSES		(99,918)	(63,658)
OPERATING PROFIT	3	128,927	92,607
NET FINANCE (COSTS)/INCOME	5	(3,123)	9,182
SHARE OF RESULTS OF ASSOCIATED COMPANIES	13	13,950	22,081
PROFIT BEFORE TAXATION		139,754	123,870
TAXATION CHARGE	6	(43,182)	(41,105)
PROFIT AFTER TAXATION	7	96,572	82,765
MINORITY INTEREST	26	(8,341)	(2,344)
NET PROFIT FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS		88,231	80,421
		=====	=====
EARNINGS PER SHARE - Basic and diluted	8	Sh 10.08	Sh 9.18
		=====	=====
DIVIDENDS PER SHARE	9	Sh 5.00	Sh 3.75
		=====	=====



# CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2005

	Note	2005 Sh'000	2004 Sh'000
<b>ASSETS</b>			
<b>Non current assets</b>			
Property, plant and equipment	10	714,215	705,191
Prepaid operating leases	11	46,032	46,082
Investment properties	12	308,148	303,273
Investment in associated companies	13	290,830	287,110
Other investments	15	1,309	19
Biological assets	16	1,317,036	1,336,192
		<u>2,677,570</u>	<u>2,677,8671</u>
<b>Current assets</b>			
Inventories	17	183,178	171,472
Trade and other receivables	18	314,660	246,022
Due from associated company	19	5,819	3,416
Taxation recoverable		719	2,324
Investments in unit trusts	22	15,000	35,197
Short term deposits	23	51,000	-
Cash and bank balances		84,008	102,338
		<u>654,384</u>	<u>560,769</u>
<b>Total assets</b>		<u>3,331,954</u> =====	<u>3,238,636</u> =====
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	25	43,782	43,782
Revaluation surplus		180,083	230,768
Revenue reserve		2,067,400	1,972,266
Proposed dividend (gross)		43,782	32,836
Shareholders' funds		<u>2,335,047</u>	<u>2,279,652</u>
<b>Minority interest</b>	26	<u>87,295</u>	<u>80,304</u>
<b>Non current liabilities</b>			
Deferred income taxes	27	548,425	563,068
Service gratuity	28	118,261	90,327
Borrowings	29	19,110	45,076
Finance lease obligations	30	-	119
		<u>685,796</u>	<u>698,590</u>
<b>Current liabilities</b>			
Trade and other payables	31	173,968	149,300
Taxation payable		22,252	8,763
Finance lease obligations	30	142	790
Due to associated company		23	231
Borrowings	29	25,065	18,886
Unclaimed dividends		2,366	2,120
		<u>223,816</u>	<u>180,090</u>
<b>Total equity and liabilities</b>		<u>3,331,954</u> =====	<u>3,238,636</u> =====

The financial statements on pages 13 to 41 were approved by the board of directors on 23rd May 2005 and were signed on its behalf by:

N.G. SANDYS-LUMSDAINE  
D.B. WHITE } Directors



# COMPANY BALANCE SHEET AS AT 31 MARCH 2005

	Note	2005 Sh'000	2004 Sh'000
<b>ASSETS</b>			
<b>Non current assets</b>			
Property, plant and equipment	10	365,907	360,050
Prepaid operating leases	11	11,864	11,877
Investment properties	12	308,148	303,273
Investment in associated companies	13	79,837	79,837
Investment in subsidiaries	14	109,877	109,877
Other investments	15	530	8
Biological assets	16	627,649	648,882
		<u>1,503,812</u>	<u>1,513,804</u>
<b>Current assets</b>			
Inventories	17	73,741	71,192
Trade and other receivables	18	136,652	113,780
Due from associated companies	19	5,363	3,271
Due from subsidiary companies	20	25,376	18,090
Loans to subsidiaries	21	24,777	38,976
Tax recoverable		-	2,324
Investments in unit trusts	22	15,000	30,146
Short term deposits	23	51,000	-
Cash and bank balances		56,810	49,630
		<u>388,719</u>	<u>327,409</u>
<b>Total assets</b>		<u>1,892,531</u>	<u>1,841,213</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	25	43,782	43,782
Revaluation surplus		106,203	115,329
Revenue reserve		1,187,100	1,143,817
Proposed dividend (gross)		43,782	32,836
		<u>1,380,867</u>	<u>1,335,764</u>
<b>Shareholders' funds</b>			
Non current liabilities			
Deferred income taxes	27	272,523	281,070
Service gratuity	28	67,608	51,398
Borrowings	29	12,560	27,808
		<u>352,691</u>	<u>360,276</u>
<b>Current liabilities</b>			
Trade and other payables	31	60,093	61,052
Due to subsidiary companies	20	66,132	66,781
Due to associated companies	19	23	18
Taxation payable		15,707	-
Borrowings	29	14,652	15,202
Unclaimed dividends		2,366	2,120
		<u>158,973</u>	<u>145,173</u>
<b>Total equity and liabilities</b>		<u>1,892,531</u>	<u>1,841,213</u>

The financial statements on pages 13 to 41 were approved by the board of directors on 23rd May 2005 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 2005

	Share capital Sh'000	Revaluation surplus Sh'000	Revenue reserve Sh'000	Proposed dividend Sh'000	Total Sh'000
At 1 April 2003	43,782	712,794	1,442,655	32,836	2,232,067
Excess depreciation transfer:					
- for prior years	-	(463,328)	463,328	-	-
- current year	-	(26,712)	26,712	-	-
Deferred tax on excess depreciation	-	8,014	(8,014)	-	-
Net profit for the year	-	-	80,421	-	80,421
Dividends paid - 2003	-	-	-	(32,836)	(32,836)
Proposed dividend - 2004	-	-	(32,836)	32,836	-
At 31 March 2004	43,782	230,768	1,972,266	32,836	2,279,652
At 1 April 2004	43,782	230,768	1,972,266	32,836	2,279,652
Surplus realised on disposal of revalued assets	-	(1,583)	1,583	-	-
Excess depreciation transfer - prior years	-	(35,335)	35,335	-	-
- current year	-	(19,667)	19,667	-	-
Deferred tax on excess depreciation	-	5,900	(5,900)	-	-
Net profit for the year	-	-	88,231	-	88,231
Dividends paid - 2004	-	-	-	(32,836)	(32,836)
Proposed dividend - 2005	-	-	(43,782)	43,782	-
At 31 March 2005	43,782	180,083	2,067,400	43,782	2,335,047

The revaluation surplus is not distributable.



**COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2005**

	Share capital Sh'000	Revaluation Surplus Sh'000	Revenue reserve Sh'000	Proposed dividend Sh'000	Total Sh'000
At 1 April 2003	43,782	425,369	834,044	32,836	1,336,031
Excess depreciation transfer:					
- for prior years	-	(304,773)	304,773	-	-
- current year	-	(7,525)	7,525	-	-
Deferred tax on excess depreciation	-	2,258	(2,258)	-	-
Net profit for the year	-	-	32,569	-	32,569
Dividend paid - 2003	-	-	-	(32,836)	(32,836)
Proposed dividend - 2004	-	-	(32,836)	32,836	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2004	43,782	115,329	1,143,817	32,836	1,335,764
	=====	=====	=====	=====	=====
At 1 April 2004	43,782	115,329	1,143,817	32,836	1,335,764
Surplus realised on disposal of revalued assets	-	(1,153)	1,153	-	-
Excess depreciation transfer	-	(11,390)	11,390	-	-
Deferred tax on excess depreciation	-	3,417	(3,417)	-	-
Net profit for the year	-	-	77,939	-	77,939
Dividends paid - 2004	-	-	-	(32,836)	(32,836)
Proposed dividend - 2005	-	-	(43,782)	43,782	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2005	43,782	106,203	1,187,100	43,782	1,380,867
	=====	=====	=====	=====	=====

The revaluation surplus is not distributable.



# CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2005

	Note	2005 Sh'000	2004 Sh'000
<b>OPERATING ACTIVITIES</b>			
Cash generated from operations	32(a)	188,967	194,160
Interest received		1,809	1,484
Interest paid		(4,743)	(8,939)
Taxation paid		(38,305)	(21,430)
		<hr/>	<hr/>
Net cash generated from operating activities		147,728	165,275
		<hr/>	<hr/>
<b>INVESTING ACTIVITIES</b>			
Movement in actual costs of biological assets		(8,853)	(16,359)
Purchase of plant and equipment		(84,274)	(28,789)
Additions to investment property		-	(1,478)
Additions to other investments		(1,290)	-
Proceeds from disposal of plant and equipment		4,301	6,343
Dividend received - from associated company		5,804	5,804
- other		3,023	1,496
Proceeds from redemption of investment in unit trusts		20,197	-
Investment made in unit trusts		-	(35,197)
		<hr/>	<hr/>
Net cash used in investing activities		(61,092)	(68,180)
		<hr/>	<hr/>
<b>FINANCING ACTIVITIES</b>			
Loans received	32(b)	4,875	-
Loans repaid	32(b)	(23,182)	(22,630)
Finance lease repayments		(718)	(970)
Dividends paid to shareholders		(32,590)	(32,828)
Dividends paid to minority interest	26	(1,350)	(806)
		<hr/>	<hr/>
Net cash used in financing activities		(52,965)	(57,234)
		<hr/>	<hr/>
INCREASE IN CASH AND CASH EQUIVALENTS		33,671	39,861
CASH AND CASH EQUIVALENTS AT 1 APRIL		101,337	61,476
		<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT 31 MARCH	32(c)	135,008	101,337
		=====	=====





## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2005

### 1 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 remain unchanged from the previous years 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 assets.

#### **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, details of which are disclosed in note 14 and include the group's share of the results of the associated companies as disclosed in note 13, all made up to 31 March.

#### **Investments in associated companies**

Investments in associated undertakings are accounted for using 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.

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 associated undertakings is shown in note 13.

In the company's books, investments in associated companies are carried at cost less provision for impairment, if any.

#### **Revenue recognition**

Sales are recognised upon despatch of products and are stated net of returns, discounts and value added tax.

#### **Other income**

Rental income is recognised on the accruals basis and dividend income is recognised when received.

#### **Inventories**

Made tea inventories are stated at the lower of cost and net realisable value. Made tea cost comprises fair value of tea leaf less estimated point of sale costs at the point of harvest plus actual costs incurred in the processing of green leaf to made tea.

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

Consumable stores inventories are stated at the lower of purchase cost and net realisable value.



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 1 ACCOUNTING POLICIES (continued)

#### Biological assets

Biological assets (tea bushes, fuel plantations and timber plantations) and agricultural produce have been stated at their fair value less estimated point-of-sale costs.

The fair value of tea bushes is determined based on the present value of expected net cash flows discounted at a current market-determined pre-tax rate. The fair values of fuel and timber plantations are determined based on the prices existing in the market. Details of the significant assumptions made in determining the fair value of biological assets are set out on note 16.

The cost of replanting, infilling and upkeep are recognised as an expense in the income statement.

#### Property, plant and equipment

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

Professional valuations are carried out in accordance with the company's policy of revaluing certain items of property, plant and equipment from time to time. The last valuation was performed as at 31 March 2002.

The bases of valuation are as follows:

Land – open market value for the existing use  
Other assets – net current replacement cost.

Increases in the carrying amount arising on revaluation are credited to a revaluation surplus. Decreases that offset previous increases of the same asset are charged against the revaluation surplus; all other decreases are charged to the income statement.

#### Depreciation

No depreciation is provided on freehold land. Capital work in progress is not depreciated until the asset is brought into use.

Other items of property, plant and equipment are depreciated on a straight line basis to write off the cost or valuation over their estimated useful lives. The 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%

Each year the difference between depreciation based on the revalued carrying amount of an asset (the depreciation charged to the income statement) and depreciation based on the asset's original cost is transferred from the revaluation surplus to revenue reserves.

#### Leasehold land

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



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 1 ACCOUNTING POLICIES (Continued)

#### **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.

#### **Taxation**

Income tax expense represents the sum of the current tax payable and the deferred 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.

#### **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 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.

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 at present value of benefits payable as it accrues to each employee.

#### **Impairment**

At each balance sheet date, the group reviews the carrying amounts of its 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.



## 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.

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

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.

#### **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.

##### *Trade payables*

Trade payables are stated at their nominal value.

##### *Investments*

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

##### *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.

#### **Dividends**

Dividends on ordinary shares are charged to equity in the period in which they are declared. Proposed dividends are shown as a separate component of equity until declared.



## 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.

### 2 SEGMENTAL INFORMATION

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

	Tea Sh'000	Property Sh'000	Generator trading Sh'000	Group Sh'000
<b>2005</b>				
Tea revenue	1,198,588	-	-	1,198,588
Rental income	-	35,170	-	35,170
Generator sales & service	-	-	61,327	61,327
Other incomes	18,266	-	-	18,266
Operating profit	95,642	25,836	7,449	128,927
Group's share of associated companies' results	10,321	(797)	-	9,524
Segment assets	2,980,223	308,148	43,583	3,331,954
Segment liabilities	987,231	-	9,676	996,907
Depreciation	68,541	-	1,758	70,299
Capital expenditure	83,312	-	962	84,274
	=====	=====	=====	=====
<b>2004</b>				
Tea revenue	855,610	-	-	855,610
Rental income	-	32,147	-	32,147
Generator sales & service	-	-	38,189	38,189
Other incomes	24,161	-	-	24,161
Operating profit	64,588	23,358	4,661	92,607
Group's share of associated companies' results	15,287	(188)	-	15,099
Segment assets	2,891,301	303,273	44,062	3,238,636
Segment liabilities	857,698	86,428	14,858	958,984
Depreciation	69,912	-	2,026	71,938
Capital expenditure	87,388	-	150	87,538
	=====	=====	=====	=====



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

	Note	2005 Sh'000	2004 Sh'000
2	SEGMENTAL INFORMATION (Continued)		
(b)	Secondary reporting - geographical segments		
	The group's tea revenue is derived from the following markets:		
	Offshore	1,012,258	671,616
	Kenya	186,330	183,994
		<u>1,198,588</u>	<u>855,610</u>
		=====	=====
3	OPERATING PROFIT		
	The operating profit is arrived at after charging:		
	Amortisation	50	51
	Depreciation	70,299	71,938
	Directors' remuneration:		
	Fees	750	750
	Other emoluments	13,067	15,792
	Staff costs (Note 4)	365,549	345,106
	Auditors' remuneration	3,483	3,538
	Loss on disposal of property, plant and equipment	650	-
		<u>=====</u>	<u>=====</u>
	and after crediting:		
	Operating lease rental income	30,295	32,147
	Fair value of agricultural produce harvested during the year	228,176	210,866
	Profit on disposal of property plant and equipment	-	4,863
	Gain on valuation of investment property	4,875	-
		<u>=====</u>	<u>=====</u>
4	STAFF COSTS		
	Wages and salaries	305,693	283,598
	Social security costs (NSSF)	10,580	10,073
	Pension costs (defined contribution plan)	5,522	5,321
	Terminal benefits	27,978	26,759
	Leave pay provision	7,839	9,428
	Medical expenses	7,937	9,927
		<u>=====</u>	<u>=====</u>
		365,549	345,106
		=====	=====
	The average number of staff employed by the group during the year was as follows:	Number	Number
	Permanent	3,908	4,121
	Seasonal	805	711
		<u>=====</u>	<u>=====</u>
		4,713	4,832
		=====	=====



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2005 Sh'000	2004 Sh'000
5 NET FINANCE (COSTS)/INCOME		
Interest expense:		
- bank overdrafts	(216)	(3,544)
- bank loans	(3,540)	(4,050)
- group loans	(724)	(976)
- finance leases	(263)	(369)
	<u>(4,743)</u>	<u>(8,939)</u>
Interest income on short term deposits	1,905	1,484
Dividend income	3,023	1,496
Net foreign exchange (losses)/gains	(3,308)	15,141
	<u>(3,123)</u>	<u>9,182</u>
	=====	=====
6 TAXATION		
(a) TAX CHARGE		
Current taxation based on the adjusted profit at 30%		
- Current year	52,994	27,291
- Prior year underprovision	405	-
	<u>53,399</u>	<u>27,291</u>
Deferred tax (credit)/charge-note 27	(14,643)	6,832
	<u>38,756</u>	<u>34,123</u>
Share of associated company's taxation:		
Current taxation	5,887	6,077
Deferred tax (credit)/ charge	(1,461)	905
	<u>4,426</u>	<u>6,982</u>
	<u>43,182</u>	<u>41,105</u>
	=====	=====
(b) RECONCILIATION OF EXPECTED TAX BASED ON ACCOUNTING PROFIT TO TAX EXPENSE		
Accounting profit before taxation	139,754	123,870
	=====	=====
Tax at the applicable rate of 30%	41,926	37,161
Tax effect of expenses not deductible for tax purposes	8,454	4,655
Tax effect of income not taxable	(7,603)	(711)
Prior year underprovision	405	-
	<u>43,182</u>	<u>41,105</u>
	=====	=====



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 7 PROFIT AFTER TAXATION - COMPANY

A profit after taxation of Sh 77,939,000 (2004 - Sh 32,569,000) has been dealt with in the financial statements of Williamson Tea Kenya Limited.

### 8 EARNINGS PER SHARE

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

	2005 Sh'000	2004 Sh'000
Earnings		
Earnings for purposes of basic and diluted earnings per share	88,231 =====	80,421 =====
Number of shares		
Number of ordinary shares (thousands)	8,756 =====	8,756 =====
Earnings per share		
Basic (Sh) and diluted (Sh)	10.08 =====	9.18 =====

There were no potentially dilutive shares outstanding at 31 March 2005 or 31 March 2004.

### 9 PROPOSED DIVIDEND

At the annual general meeting to be held on 14 July 2005, a first and final dividend is to be proposed in respect of 2005 of Sh 5 per share (2004 - Sh 3.75 per share) amounting to a total of Sh 43,781,600 (2004 - Sh 32,836,200).





## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 10 PROPERTY, PLANT AND EQUIPMENT

#### GROUP

	Freehold land, buildings and development Sh'000	Machinery and equipment Sh'000	Tractors & Accessories Sh'000	Motor vehicles Sh'000	Office equipment, furniture & fittings Sh'000	Computers Sh'000	Work in progress Sh'000	Total Sh'000
<b>COST OR VALUATION</b>								
At 1 April 2004	506,132	271,324	76,228	46,886	24,971	19,754	484	945,779
Additions	20,671	29,370	16,505	9,584	999	1,895	5,250	84,274
Disposals	-	(3,911)	(9,242)	(7,918)	(6,064)	(2,513)	-	(29,648)
Reclassifications	484	-	-	-	-	-	(484)	-
At 31 March 2005	527,287	296,783	83,491	48,552	19,906	19,136	5,250	1,000,405
Comprising:								
At valuation - 2002	503,779	258,655	-	-	-	-	-	762,434
At cost	23,508	38,128	83,491	48,552	19,906	19,136	5,250	237,971
	527,287	296,783	83,491	48,552	19,906	19,136	5,250	1,000,405
<b>DEPRECIATION</b>								
At 1 April 2004	64,091	54,502	60,628	33,088	15,452	12,827	-	240,588
Charge for the year	29,112	20,585	8,302	7,977	1,345	2,978	-	70,299
Eliminated on disposals	-	(1,684)	(9,125)	(7,778)	(3,974)	(2,136)	-	(24,697)
At 31 March 2005	93,203	73,403	59,805	33,287	12,823	13,669	-	286,190
<b>NET BOOK VALUE</b>								
At 31 March 2005	434,084	223,380	23,686	15,265	7,083	5,467	5,250	714,215
At 31 March 2004	442,041	216,822	15,600	13,798	9,519	6,927	484	705,191
<b>NET BOOK VALUE (cost basis)</b>								
At 31 March 2005	217,571	165,470	23,685	16,823	6,928	5,465	5,250	441,192
At 31 March 2004	205,411	153,449	15,600	13,798	9,519	6,927	484	405,188

Land, building, development and machinery were last 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 83,440,000 (2004- Sh 86,093,000) which are fully depreciated and whose normal depreciation charge for the year would have been Sh 20,639,000 (2004 -Sh 16,667,000)

Land and buildings with net book value of Sh 434,084,000 (2004 - Sh 442,041,000) have been charged to secure banking facilities granted to the group as disclosed in note 28. The net book value of motor vehicles includes Sh 678,000 ( Sh 1,380,000) 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	Tractors & Accessories Sh'000	Motor vehicles Sh'000	Office equipment, furniture & fittings Sh'000	Computers Sh'000	Work in progress Sh'000	Total Sh'000
<b>COST OR VALUATION</b>								
At 1 April 2004	279,565	113,672	29,996	15,600	11,863	11,794	484	462,974
Additions	10,124	14,322	9,747	3,820	866	881	-	39,760
Disposals	-	(1,435)	(4,399)	(4,505)	(3,008)	(1,777)	-	(15,124)
Reclassifications	484	-	-	-	-	-	(484)	-
At 31 March 2005	290,173	126,559	35,344	14,915	9,721	10,898	-	487,610
Comprising:								
At valuation - 2002	279,565	103,191	-	-	-	-	-	382,756
At cost	10,608	23,368	35,344	14,915	9,721	10,898	-	104,854
	290,173	126,559	35,344	14,915	9,721	10,898	-	487,610
<b>DEPRECIATION</b>								
At 1 April 2004	30,655	20,062	24,819	10,432	8,314	8,642	-	102,924
Charge for the year	15,258	8,170	3,402	3,249	517	1,363	-	31,959
Eliminated on disposals	-	(599)	(4,282)	(4,505)	(2,394)	(1,400)	-	(13,180)
At 31 March 2005	45,913	27,633	23,939	9,176	6,437	8,605	-	121,703
<b>NET BOOK VALUE</b>								
At 31 March 2005	244,260	98,926	11,405	5,739	3,284	2,293	-	365,907
At 31 March 2004	248,910	93,611	5,178	5,167	3,548	3,152	484	360,050
<b>NET BOOK VALUE (cost basis)</b>								
At 31 March 2005	126,338	70,238	11,405	5,739	3,284	2,294	-	219,298
At 31 March 2004	121,513	61,861	5,178	5,167	3,548	3,152	484	200,903

Land, building, development and machinery were last 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 26,986,000 (2004- Sh 35,852,000) which are fully depreciated and whose normal depreciation charge for the year would have been Sh 9,050,000 (2004 -Sh 10,734,000)

Land, buildings and development with net book value of Sh 244,260,000 (2004 - Sh 248,910,000) have been charged to secure banking facilities granted to the group as disclosed in note 28.



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 11 PREPAID OPERATING LEASES

	GROUP Sh'000 Leasehold land	COMPANY Sh'000 Leasehold land
COST		
At 1 April 2004 and 31 March 2005	50,181	12,613
AMORTISATION		
As 1 April 2004	4,099	736
Amortisation for the year	50	13
At 31 March 2005	4,149	749
NET BOOK VALUE		
At 31 March 2005	46,032	11,864
	=====	=====
At 31 March 2004	46,082	11,877
	=====	=====
Market value	106,345	17,395
	=====	=====

Leasehold land has been charged to secure banking facilities granted to the group as disclosed in note 28.

Leasehold land was revalued as at 31 March 2002 by Lloyd Masika Limited, registered valuers and estate agents.

	GROUP & COMPANY 2005 Sh'000	2004 Sh'000
12 INVESTMENT PROPERTIES		
At fair value		
At 1 April	303,273	300,000
Transferred from property, plant and equipment	-	1,600
Additions	-	1,478
Gain in market value	4,875	195
	308,148	303,273
	=====	=====
COST	182,233	182,233
	=====	=====

The investment properties were revalued as at 31 March 2005 by Lloyd Masika Limited, Registered Valuers and Estate Agents.



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2005 Sh'000	2004 Sh'000
<b>13 INVESTMENT IN ASSOCIATED COMPANIES</b>		
<b>GROUP</b>		
Kapchorua Tea Company Limited (Quoted) - 39.56% owned: At share of net assets (market value - Sh 319,200,000 2004 - Sh 391,200,000)	270,615	266,098
Williamson Developments Limited (Unquoted) - 50% Share of net assets	20,215	21,012
	<hr/>	<hr/>
	290,830	287,110
	=====	=====
<b>COMPANY</b>		
Kapchorua Tea Company Limited (Quoted) - 39.56% owned: At cost - (market value - Sh 391,200,000 2004 - Sh 391,200,000)	49,479	49,479
Williamson Developments Limited (Unquoted) - 50% owned at costQ	30,358	30,358
	<hr/>	<hr/>
	79,837	79,837
	=====	=====
The movement in Group investment in associated companies is as follows:		
At 1 April	287,110	277,815
Prior year adjustments		
Share of profit before taxation	13,950	22,081
Share of tax	(4,426)	(6,982)
Dividend received	(5,804)	(5,804)
	<hr/>	<hr/>
At 31 March	290,830	287,110
	=====	=====

**The details of the above associated companies are as follows:**

<i>Company</i>	<i>Share capital Sh</i>	<i>% owned</i>	<i>Country of Incorporation</i>	<i>Principal activity</i>
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)

		2005 Sh'000	2004 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	-	-
	Tea Properties Limited	2	2
	Lelsa Tea Estates Limited	-	-
		<u>6,554</u>	<u>6,554</u>
	(b) Unquoted investment at cost in partly owned subsidiaries:		
	Tinderet Tea Estates (1989) Limited (82% owned)	103,323	103,323
		<u>109,877</u>	<u>109,877</u>
		=====	=====

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	Dormant company.
Tinderet Tea Estates (1989) Limited	100,000	Kenya	Cultivation, manufacture and sale of tea.

	GROUP		COMPANY	
	2005 Sh'000	2004 Sh'000	2005 Sh'000	2004 Sh'000
15 OTHER INVESTMENTS				
Unquoted:				
At cost				
- Trade	1,305	15	530	8
- Other	3	3	-	-
	<u>1,308</u>	<u>18</u>	<u>530</u>	<u>8</u>
Quoted:				
At market value	1	1	-	-
	<u>1,309</u>	<u>19</u>	<u>530</u>	<u>8</u>
	=====	=====	=====	=====



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 16 BIOLOGICAL ASSETS GROUP

	Tea bushes Sh '000	Timber Trees Sh '000	Fuel Trees Sh '000	Total 2005 Sh '000	Total 2004 Sh '000
Carrying amount at 1 April 2004	1,076,730	112,992	146,470	1,336,192	1,325,642
Increase due to purchases	9,395	283	1,914	11,592	23,206
Decrease due to harvest	-	(500)	(2,238)	(2,738)	(6,847)
	<u>1,086,125</u>	<u>112,775</u>	<u>146,146</u>	<u>1,345,046</u>	<u>1,342,001</u>
Gains/(loss) arising from changes in fair value attributable to physical changes	23,890	3,564	5,190	32,644	(6,444)
Gain/(loss) arising from changes in fair value attributable to price changes	(49,863)	(4,103)	(6,688)	(60,654)	635
Net fair value gain/(loss)	<u>(25,973)</u>	<u>(539)</u>	<u>(1,498)</u>	<u>(28,010)</u>	<u>(5,809)</u>
Carrying amount at 31 March 2005	<u>1,060,152</u>	<u>112,236</u>	<u>144,648</u>	<u>1,317,036</u>	<u>1,336,192</u>

### COMPANY

	Tea bushes Sh '000	Timber Trees Sh '000	Fuel Trees Sh '000	Total 2005 Sh '000	Total 2004 Sh '000
Carrying amount at 1 April 2004	530,196	33,790	84,896	648,882	645,557
Increase due to purchases	279	-	686	965	11,608
Decrease due to harvest	-	(118)	(553)	(671)	(6,847)
	<u>530,475</u>	<u>33,672</u>	<u>85,029</u>	<u>649,176</u>	<u>650,318</u>
(Loss)/gains arising from changes in fair value attributable to physical changes	18,839	868	6,704	26,411	(5,868)
Gain/(loss) arising from changes in fair value attributable to price changes	(37,147)	(4,103)	(6,688)	(47,938)	4,432
Net fair value gain/(loss)	<u>(18,308)</u>	<u>(3,235)</u>	<u>16</u>	<u>(21,527)</u>	<u>(1,436)</u>
Carrying amount at 31 March 2005	<u>512,167</u>	<u>30,437</u>	<u>85,045</u>	<u>627,649</u>	<u>648,882</u>

Significant assumptions made in determining the fair values of biological assets and agricultural produce are:

- Tea bushes will on average have a productive life of 30 years.
- The expected market price of tea will remain constant, based on average price for the last five years, unless there has been a declining trend in prices in which case the current price is used in determining the fair value of tea bushes. Firewood and timber prices are expected to remain constant.
- A discount rate of 15% per annum is applied to the expected net cash flows arising from the asset.
- Based on the biological transformation which the tea bushes and tea leaf undergo, 60% of future made tea cash flows less income attributable to tea processing and point of sale costs are discounted to determine the fair value of tea bushes. The remaining 40% of the tea leaf fair value is assigned to the regeneration of tea leaf and is recognised in the year of harvest.
- The maturity period of firewood and timber trees is expected to be between 5 and 25 years depending on the species of the tree.



# NOTES TO THE FINANCIAL STATEMENTS (Continued)

	GROUP		COMPANY	
	2005 Sh'000	2004 Sh'000	2005 Sh'000	2004 Sh'000
17 INVENTORIES				
Tea stocks	134,351	130,373	55,473	64,412
Firewood	3,138	3,780	810	1,240
Stores	44,570	33,117	17,458	5,540
Generators	802	2,864	-	-
Work in progress	317	991	-	-
Goods in transit	-	5	-	-
Other	-	342	-	-
	<u>183,178</u>	<u>171,472</u>	<u>73,741</u>	<u>71,192</u>
	=====	=====	=====	=====
18 TRADE AND OTHER RECEIVABLES				
Trade	238,684	173,473	94,033	65,288
Staff	30,231	39,848	18,693	23,744
VAT receivable	28,202	19,130	12,915	13,469
Loans to directors	2,331	3,114	2,332	3,114
Other	15,212	10,457	8,679	8,165
	<u>314,660</u>	<u>246,022</u>	<u>136,652</u>	<u>113,780</u>
	=====	=====	=====	=====
The loans to directors are interest free.				
19 DUE FROM ASSOCIATED COMPANY				
Kapchorua Tea Company Limited	5,819	3,416	5,363	3,271
	=====	=====	=====	=====
DUE TO ASSOCIATED COMPANY				
Williamson Developments Limited	23	231	23	18
	=====	=====	=====	=====
20 DUE FROM SUBSIDIARY COMPANIES			2005 Sh'000	2004 Sh'000
Kaimosi Tea Estates Limited			12,195	6,500
Williamson Power Limited			376	6,350
Tinderet Tea Estates (1989) Limited			12,805	5,240
			<u>25,376</u>	<u>18,090</u>
			=====	=====
DUE TO SUBSIDIARY COMPANIES				
Tea Properties Limited			66,132	66,132
Williamson Power Limited			-	649
			<u>66,132</u>	<u>66,781</u>
			=====	=====



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2005 Sh'000	2004 Sh'000
21 LOANS TO SUBSIDIARY COMPANIES		
Kaimosi Tea Estate Limited	14,777	23,374
Tinderet Tea Estates (1989) Limited	10,000	15,602
	<u>24,777</u>	<u>38,976</u>
	=====	=====

The loans to subsidiary companies mature within one year. The effective interest rate on the loans as at 31 March 2005 was 6.75% (2004 - 4%).

	GROUP		COMPANY	
	2005 Sh'000	2004 Sh'000	2005 Sh'000	2004 Sh'000
22 INVESTMENTS IN UNIT TRUSTS				
Old Mutual Investment Services Limited	15,000	35,197	15,000	30,146
	=====	=====	=====	=====

The investments in unit trusts are redeemable on demand and are carried at amortised cost. The effective rate of return as at 31 March 2005 was 6.75% (2004 - 4%).

	GROUP		COMPANY	
	2005 Sh'000	2004 Sh'000	2005 Sh'000	2004 Sh'000
23 SHORT TERM DEPOSITS				
NIC Bank Limited	45,000	—	45,000	—
Bank of Africa Limited	6,000	—	6,000	—
	<u>51,000</u>	<u>—</u>	<u>51,000</u>	<u>—</u>
	=====	=====	=====	=====

The effective interest rate on short term deposits as at 31 March 2005 was 8% and they mature within 90 days of the balance sheet date.

### 24 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:

	2005 Sh'000	2004 Sh'000
Sales through a related party (Williamson Tea Holdings plc - parent)	572,404	615,223
Commissions paid on private tea sales (Williamson Tea Holdings plc - parent)	—	8,487
Technical support (Williamson Tea Holdings plc - parent)	15,065	5,918
Agency commission and Charges received (Kapchorua Tea Company Limited - associate)	24,759	16,023
Licence fees (George Williamson & Company Limited)	15,065	5,918
Guarantee in respect of banking facilities (Subati Limited - common ownership)	64,594	62,240
	=====	=====

The group received a loan of GBP 200,000 during the financial year ended 31 March 2003 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 5.88%. The balance outstanding on the shareholder loan at 31 March 2005 is disclosed in note 28





## NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2005 Sh'000	2004 Sh'000
25 SHARE CAPITAL		
Authorised:		
17,512,640 shares of Sh 5 each	87,563	87,563
	=====	=====
Issued and fully paid:		
8,756,320 shares of Sh 5 each	43,782	43,782
	=====	=====
26 MINORITY INTEREST		
As 1 April	80,304	78,766
Share of profit	8,341	2,344
Dividend paid	(1,350)	(806)
	=====	=====
At 31 March	87,295	80,304
	=====	=====
Represented by:		
% holding in Tinderet	18	18
	=====	=====

### 27 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	
	2005 Sh'000	2004 Sh'000	2005 Sh'000	2004 Sh'000
The net deferred taxation liability is attributable to the following items:				
Deferred tax liabilities:				
Accelerated capital allowances	192,159	185,806	93,384	92,196
Unrealised exchange losses	-	98	-	83
Revaluation surplus	130,715	136,736	77,681	80,130
Fair value adjustments	265,934	277,291	124,576	132,162
	=====	=====	=====	=====
	588,808	599,931	295,641	304,571
	=====	=====	=====	=====
Deferred tax assets:				
Unrealised exchange gains	(793)	-	(230)	-
Service gratuity provision	(35,477)	(27,098)	(20,282)	(15,420)
Leave pay provision	(4,113)	(4,052)	(2,606)	(2,368)
Tax Losses	-	(5,713)	-	(5,713)
	=====	=====	=====	=====
	(40,383)	(36,863)	(23,118)	(23,501)
	=====	=====	=====	=====
Net deferred tax liability	548,425	563,068	272,523	281,070
	=====	=====	=====	=====

The movement on the deferred tax account is as follows:

	GROUP		COMPANY	
	2005 Sh'000	2004 Sh'000	2005 Sh'000	2004 Sh'000
At 1 April	563,068	556,236	281,070	279,779
Income statement tax (credit)/charge	(14,643)	6,832	(8,547)	1,291
	=====	=====	=====	=====
At 31 March	548,425	563,068	272,523	281,070
	=====	=====	=====	=====



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

	GROUP		COMPANY	
	2005 Sh'000	2004 Sh'000	2005 Sh'000	2004 Sh'000
28 SERVICE GRATUITY				
At 1 April	90,327	83,597	51,398	45,905
Provision during the year	35,876	17,849	21,328	12,323
Payments in the year	(7,942)	(11,119)	(5,118)	(6,830)
At 31 March	<u>118,261</u>	<u>90,327</u>	<u>67,608</u>	<u>51,398</u>
	=====	=====	=====	=====

### 29 BORROWINGS

#### a) Loans

Bank overdraft	-	1,001	-	1,001
Bank loans	30,075	42,231	13,112	20,698
Shareholder loan	14,100	20,730	14,100	21,311
	<u>44,175</u>	<u>63,962</u>	<u>27,212</u>	<u>43,010</u>
	=====	=====	=====	=====

The borrowings are repayable as follows:

On demand and within one year	25,065	18,886	14,652	15,202
In the second year	19,110	25,831	12,560	14,201
In the third to fifth year inclusive	-	19,245	-	13,607
	<u>44,175</u>	<u>63,962</u>	<u>27,212</u>	<u>43,010</u>
Amounts due for settlement within one year	(25,065)	(18,886)	(14,652)	(15,202)
Amounts due for settlement after one year	<u>19,110</u>	<u>45,076</u>	<u>12,560</u>	<u>27,808</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
2005				
Bank loans	-	30,075	-	30,075
Shareholder loan	-	-	14,100	14,100
	<u>-</u>	<u>30,075</u>	<u>14,100</u>	<u>44,175</u>
	=====	=====	=====	=====
2004				
Bank overdrafts	1,001	-	-	1,001
Bank loans	-	41,650	-	41,650
Shareholder loan	-	-	21,311	21,311
	<u>1,001</u>	<u>41,650</u>	<u>21,311</u>	<u>63,962</u>
	=====	=====	=====	=====



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 29 BORROWINGS (Continued) Analysis of borrowings by currency

Group	Borrowings In KES Sh'000	Borrowings in USD Sh'000	Borrowings in GBP Sh'000	Total Sh'000
2005				
Bank loans	—	13,112	—	13,112
Shareholder loan	—	—	14,100	14,100
	—	13,112	13,979	27,212
	=====	=====	=====	=====
2004				
Bank overdrafts	1,001	—	—	1,001
Bank loans	—	20,698	—	20,698
Shareholder loan	—	—	21,311	21,311
	1,001	20,698	21,311	43,010
	=====	=====	=====	=====

#### b) Interest rates

The average interest rates paid by the group were as follows:

	2005	2004
Bank loans	8.00	8.00
Share holder loan - GBP	5.88	4.90
Bank overdraft - KSh	12.75	11.75
Bank overdraft - US\$	8.00	8.00
	====	====

#### c) Details of securities for loans and bank overdrafts

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

##### GROUP

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.

#### d) Undrawn facilities

The group had undrawn committed borrowing facilities amounting to Sh 149,650,000 (2004 - Sh 151,233,000). The borrowing facilities consist of loans, bank overdrafts, letters of credit and guarantees



# NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 30 FINANCE LEASE OBLIGATIONS - GROUP

	Minimum lease payments (including finance charges)		Present value of minimum lease payments (excluding finance charges)	
	2005	2004	2005	2004
	Sh'000	Sh'000	Sh'000	Sh'000
Within one year	191	1,054	142	790
In second year	-	143	-	119
In the third to fifth year inclusive	-	-	-	-
	<u>191</u>	<u>1,197</u>	<u>142</u>	<u>909</u>
Less: Future finance charges	(49)	(288)	-	-
	<u>142</u>	<u>909</u>	<u>142</u>	<u>909</u>
Present value of lease obligations	142	909	142	909
	=====	=====		
Amounts due for settlement within one year			(142)	(790)
			<u>-</u>	<u>119</u>
Amounts due for settlement after one year			-	119
			=====	=====

The average lease period is 3 years. The average interest rates paid was 11.6 % (2004 - 12.7%).

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

	GROUP		COMPANY	
	2005	2004	2005	2004
	Sh'000	Sh'000	Sh'000	Sh'000
31 TRADE AND OTHER PAYABLES				
Trade payables	31,319	17,369	16,613	10,187
Green leaf provision	60,125	42,270	15,688	9,979
Other payables	82,524	89,661	27,792	40,886
	<u>173,968</u>	<u>149,300</u>	<u>60,093</u>	<u>61,052</u>
	=====	=====	=====	=====



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 32 NOTES TO THE CASH FLOW STATEMENT

	2005 Sh'000	2004 Sh'000
(a) Reconciliation of operating profit to cash generated from operations		
Operating profit	128,927	92,607
Adjustments for:		
Depreciation	70,299	71,938
Amortisation	50	51
Loss/(profit) on disposal of plant and equipment	650	(4,863)
Exchange differences	(3,692)	19,136
Fair value adjustment on biological assets	28,010	5,809
Fair value gain on investment property	(4,875)	(195)
	<hr/>	<hr/>
Operating profit before working capital changes	219,369	184,483
Increase in inventories	(11,706)	(60,700)
(Increase)/decrease in trade and other receivables	(68,687)	28,138
Increase in trade and other payables	24,668	39,509
Movement in associated company balances	(2,611)	(4,000)
Increase in service gratuity	27,934	6,730
	<hr/>	<hr/>
Cash generated from operations	188,967	194,160
	=====	=====
(b) Analysis of changes in loans		
At 1 April	62,961	81,596
Loans received	4,875	-
Loans repaid	(23,182)	(22,630)
Exchange(gain)/loss	(479)	3,995
	<hr/>	<hr/>
At 31 March	44,175	62,961
	=====	=====
(c) Analysis of cash and cash equivalents		
Short term deposits	51,000	-
Cash and bank balances	84,008	102,338
Bank overdrafts	-	(1,001)
	<hr/>	<hr/>
At 31 March	135,008	101,337
	=====	=====

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.



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

	GROUP		COMPANY	
	2005 Sh'000	2004 Sh'000	2005 Sh'000	2004 Sh'000
33 CAPITAL COMMITMENTS				
Authorised but not contracted for	101,049	87,538	33,515	32,765
Authorised and contracted for	5,000	-	-	-
	<u>106,049</u>	<u>87,538</u>	<u>33,515</u>	<u>32,765</u>
	=====	=====	=====	=====

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

### 34 OPERATING LEASE COMMITMENTS

*The group as a lessor*

Property rental income earned during the year amounted to Sh 30,295,000 (2004 - Sh 32,147,000). At the balance sheet date, the group had contracted with tenants for the following future lease receivables.

	2005 Sh'000	2004 Sh'000
Within one year	23,885	18,870
In the second to fifth years inclusive	51,229	89,419
	<u>75,114</u>	<u>108,289</u>
	=====	=====

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.

	GROUP		COMPANY	
	2005 Sh'000	2004 Sh'000	2005 Sh'000	2004 Sh'000
35 CONTINGENT LIABILITIES				
Guarantees in respect of banking facilities granted to related company, Subati Limited	64,594	62,240	64,594	62,240
	=====	=====	=====	=====

A suit has been filed against the company by a former employee for wrongful dismissal. No liability has been recognised in these financial statements as the directors believe the company has no liability.



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 36 RISK MANAGEMENT POLICIES

The financial risk management objectives and policies are as outlined below:

#### Credit risk

The company's credit risk is primarily attributable to its trade receivables.

The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

The credit risk on trade receivables is limited because the group customers are companies with high credit ratings.

#### Price Risk

The Company is exposed to financial risks arising from changes in tea prices. The Company does not anticipate that tea prices will decline significantly in the foreseeable future and, therefore, has not entered

into derivative or other contracts to manage the risk of a decline in tea prices. The Company reviews its

outlook for tea prices regularly in considering the need for active financial risk management.

### 37 COUNTRY OF INCORPORATION

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

### 38 ULTIMATE HOLDING COMPANY

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

### 39 CURRENCY

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

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## FOUR YEAR COMPARATIVE STATEMENT

		2005	2004	2003	2002
<b>Tea Production</b>					
Area under tea	Hectare	2,073	2,047	2,015	1,991
		=====	=====	=====	=====
Made tea - own	'000 Kgs	6,783	5,938	5,857	6,394
- Bought leaf	'000 Kgs	3,603	1,972	1,419	1,120
		=====	=====	=====	=====
Total	'000 Kgs	10,386	7,910	7,276	7,514
		=====	=====	=====	=====
Tea sold	'000 Kgs	10,244	7,246	7,396	8,477
		=====	=====	=====	=====
Average price per Kg gross Sh/Ct		116/75	118/08	113/29	103/65
		=====	=====	=====	=====
<b>Turnover (Sh'000)</b>		1,198,588	855,610	837,958	878,641
		=====	=====	=====	=====
<b>Profit (Sh'000)</b>					
Profit/(loss) before taxation		139,754	123,870	94,884	23,014
Taxation		(43,182)	(41,105)	(29,632)	(9,738)
		=====	=====	=====	=====
Profit after taxation		96,572	82,765	65,252	13,276
Minority interest		(8,341)	(2,344)	(898)	(1,063)
Dividends		(43,782)	(32,836)	(32,836)	(4,378)
		=====	=====	=====	=====
Retained profit for the year		44,449	47,585	31,518	7,835
		=====	=====	=====	=====
<b>Capital employed (Sh'000)</b>					
Property, plant & equipment		714,215	705,191	751,420	792,803
Investments and long term receivables		646,319	636,484	623,967	595,688
Current assets		654,384	560,769	503,137	487,404
Biological assets		1,317,036	1,336,192	1,325,642	1,291,971
		=====	=====	=====	=====
Total assets		3,331,954	3,238,636	3,204,166	3,167,866
		=====	=====	=====	=====
<b>Financed by (Sh'000)</b>					
Share capital		43,782	43,782	43,782	43,782
Reserves		2,291,265	2,235,870	2,188,285	2,167,230
		=====	=====	=====	=====
Shareholders' funds		2,335,047	2,279,652	2,232,067	2,211,012
Minority interest		87,295	80,304	78,766	79,052
Medium term borrowings		19,110	45,195	58,565	83,240
Non current liabilities		118,261	90,327	83,597	34,568
Current liabilities		223,816	180,090	194,935	194,928
Deferred income taxes		548,425	563,068	556,236	565,066
		=====	=====	=====	=====
		3,331,954	3,238,636	3,204,166	3,167,866
		=====	=====	=====	=====
Earnings/(loss) per share	Cents	1,008	918	738	89
Dividend per share	%	100	75	75	20
Dividend per share	Cents	500	375	375	100
Dividend cover	Times	2.02	2.45	1.97	0.89





PROXY FORM FOR ANNUAL GENERAL MEETING

THE SECRETARY,  
WILLIAMSON TEA KENYA LTD,  
WILLIAMSON HOUSE,  
1st FLOOR,  
4th NGONG AVENUE,  
P.O. BOX 42281 - 00100,  
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 14th July, 2005 and at any adjournment thereof.

Dated this ..... day of ..... 2005

Signature .....

Address .....

.....

.....

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.