



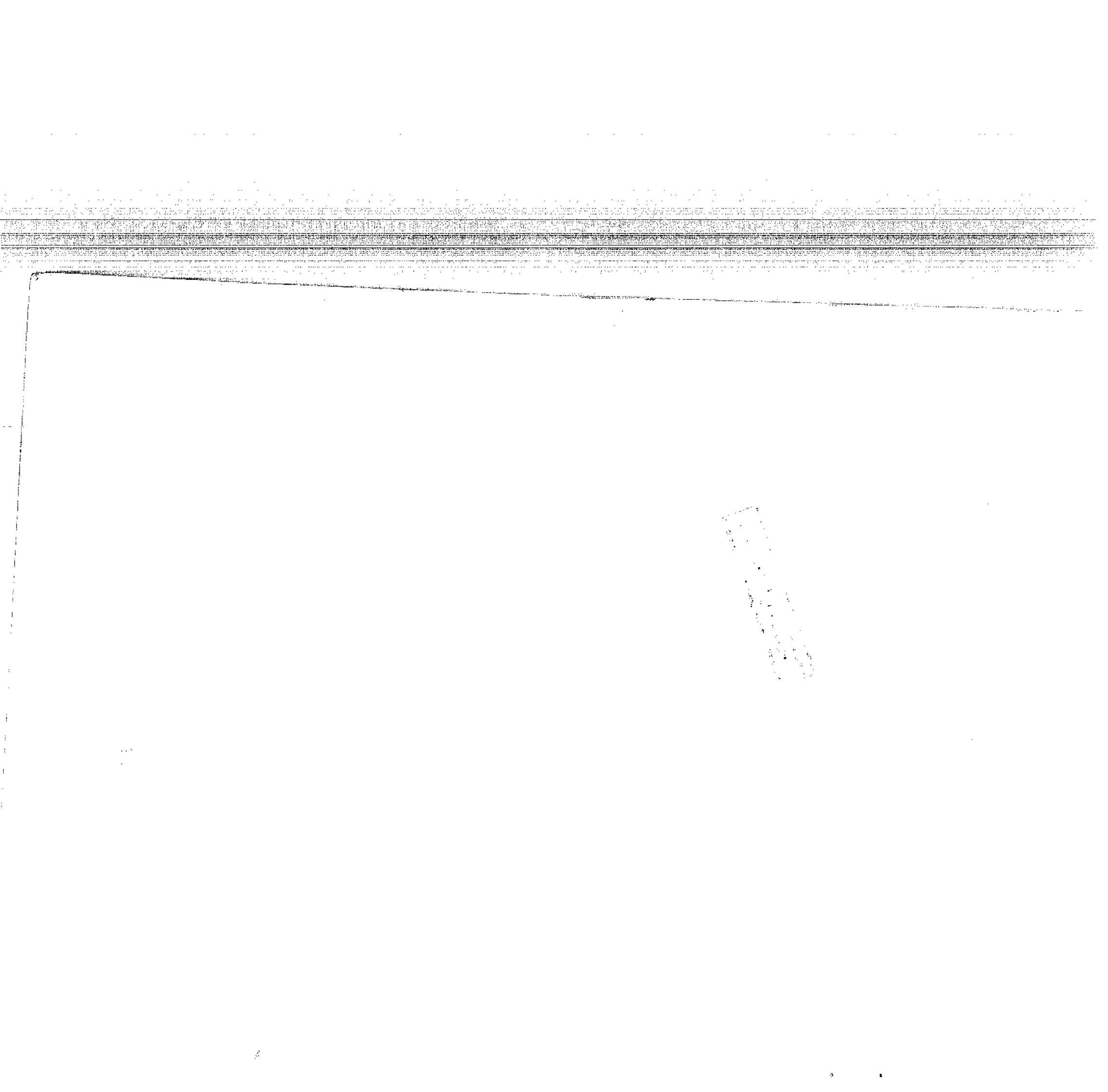
Report

&

Accounts

31 March 2006

H9
9198
K46
W55
2006
C.2





REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2006

| CONTENTS | PAGES |
|---|---------|
| NOTICE OF THE MEETING | 2 |
| COMPANY INFORMATION | 3 |
| CHAIRMAN'S STATEMENT | 4 - 7 |
| REPORT OF THE DIRECTORS | |
| CORPORATE GOVERNANCE | 9 - 10 |
| STATEMENT OF DIRECTORS' RESPONSIBILITIES | 11 |
| REPORT OF THE AUDITORS | 12 |
| CONSOLIDATED INCOME STATEMENT | 13 |
| CONSOLIDATED BALANCE SHEET | 14 |
| COMPANY BALANCE SHEET | 15 |
| CONSOLIDATED STATEMENT OF CHANGES IN EQUITY | 16 |
| COMPANY STATEMENT OF CHANGES IN EQUITY | 17 |
| CONSOLIDATED CASH FLOW STATEMENT | 18 |
| NOTES TO THE FINANCIAL STATEMENTS | 19 - 43 |
| FOUR YEAR COMPARATIVE STATEMENT | 44 |





NOTICE OF THE MEETING

NOTICE IS HEREBY GIVEN that the Fifty Sixth ANNUAL GENERAL MEETING of the Shareholders will be held at the Nairobi Club, Ngong Road, on Thursday 20 July 2006 at 10.00 a.m. for the following purposes.

Special Business:

1. To re-appoint a Director

Mr. D.B White who attained the age of 70 on 5 February 2005 retires by rotation at the fifty sixth Annual General Meeting scheduled for Thursday 20 July 2006.

SPECIAL NOTICE is hereby given of the Board's recommendation to the members to consider the re-appointment of Mr. D.B. White to the Board, and if thought fit, pass the following resolution as an **ORDINARY RESOLUTION**.

"That Mr. D.B. White be and is hereby re-appointed as a Director pursuant to Section 186 (5) of the Companies Act"

Ordinary Business:

2. To receive and adopt the report of the Directors together with the audited financial statements for the year ended 31 March 2006.
3. To declare a dividend.
4. To elect Directors:

Mr. S.C.A Koech retires by rotation and being eligible offers himself for re-election.

In accordance with Article 114 of the Articles of Association, Mr. A.S Marsh who was appointed a Director of the Company on 2 March 2006 retires and being eligible offers himself for re-election.
5. To approve the remuneration of the Directors.
6. To authorize the Directors to agree the remuneration of the Auditors.
7. To transact such other competent business as may be brought before the meeting.

BY ORDER OF THE BOARD

M M WACHIRA
SECRETARY

14th June, 2006

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) |
| | Tinderet Tea Estates (1989) Limited (82% owned) |
| | Kapchorua Tea Company Limited - (39.56% owned) |
| | KAIMOSI ESTATE |
| | TINDERET ESTATE |
| | KAPCHORUA ESTATE |
| | Other wholly owned companies: |
| | Williamson Power Limited |
| | Tea Properties Limited |
| | Tea Manufacturing and Supplies Limited |
| | Lelsa Tea Estates Limited |
| | GENERATOR SERVICES |
| | DORMANT |
| | DORMANT |
| | DORMANT |
| | Other: |
| | Williamson Developments Limited - (50% owned) |
| | PROPERTY |

DIRECTORS AND PROFESSIONAL ADVISERS

| | |
|-------------------|---|
| DIRECTORS | N G Sandys-Lumsdaine* -Executive Chairman |
| | EA Bristow |
| | S C A Koech |
| | P Magor* |
| | E N K Wanjama |
| | D B White |
| | A S Marsh* (Appointed 2 March, 2006) |
| | * British |
| SECRETARY | M. M. Wachira Certified Public Secretary (Kenya) P O Box 42281 - 00100, Nairobi |
| REGISTERED OFFICE | 1 st Floor, Williamson House, 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 9th Floor, Williamson House, 4th Ngong Avenue, P O Box 40111 - 00100, Nairobi |
| | Walker Kontos Hakika House, Bishops Road, P O Box 60680 - 00200, Nairobi |



CHAIRMAN'S STATEMENT

We have just gone through one of the most difficult trading periods in the last five years, where the severe drought in the last quarter of the year has had a devastating effect on our Tea production as well as other operations. In certain areas we experienced Tea bushes drying up and weekly factory operations reduced to three days from our normal six days operations. The effect was also felt by our Greenleaf suppliers and hence an overall drop in production of Black Tea.

The strong Kenya Shilling against the trading currencies mainly of Dollars and Sterling Pounds resulted in reduced sales realizations thereby eroding our profitability and contributing to constrained cash flows.

The combination of reduced crop production, lower sales realizations as well as increased cost of wages and social facilities has resulted in a loss position from last year's good results.

Based on the results and the continuing anticipated decline in World Tea prices, your Directors are recommending payment of a Dividend of Cents 50 per share. (2005 -Shs. 5/00).

TEA

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

| | 2006 | 2005 | 2004 |
|----------|-----------|-----------|-----------|
| CHANGOI | 3,714,035 | 4,529,735 | 3,714,073 |
| KAIMOSI | 3,031,116 | 3,635,214 | 2,535,558 |
| TINDERET | 1,818,333 | 2,221,562 | 1,660,279 |

CAPITAL INVESTMENT

During the year we incurred Capital Expenditure of Shs. 70,299,000 which was spent on new Factory Machinery, buildings, schools, labour housing and upgrading of transport on our Estates. A further Kshs 17,069,000 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.

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.

SOCIAL CONTRIBUTION

The major salient facts under this heading include:-

- i) As mentioned in my previous year's report we continue to support and improve the social facilities within our Estates where we have over 2,867 people in our employment who in turn support over 15,000 dependants. We continue to operate 4 Primary Schools, 1 Secondary School, and 5 Health Clinics.
- ii) The Group's foreign currency net sales amounted to the equivalent of Shs. 947,000,000 (2005 Shs. 1,052,040,000).



CHAIRMAN'S STATEMENT (Continued)

- iii) The Group paid to the Government Corporation Tax of Shs. 34,977,000 and Agricultural Produce Cess to the Tea Board of Kenya of Shs.10,730,000 for disbursement to the Local Councils and Tea Road Committees in the areas where we operate.
- iv) Labour related wages and expenses now amount to over 60% of our production costs with the group having incurred Kshs 64,280,000 towards labour and social welfare, leave pay, estate transport, health and educational services. A total of KShs. 7,711,000 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.

STAFF

Messrs. Samuel Thumbi, Tom Lloyd 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.

I would wish to once again thank them together with all Management and Staff at all levels including our Nairobi Office and Engineering Staff for their great efforts during the year.

CORPORATE GOVERNANCE

Your Board places great emphasis in the area of good Governance and Corporate Social Responsibility which is becoming an increasing requirement of our Buyers Overseas and an expanded note is included in a later part of this report.

DIRECTORS

During these hard times your Board together with Management have embarked on various strategies both at the operations level and marketing in order to counter the effect of the prevailing environment for Tea especially in view of the World over supply position and the strong Kenya Shilling.

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

N.G.SANDYS-LUMSDAINE
Chairman

14th June, 2006



NAKALA YA MWENYEKITI

Tumepitia kipindi kigumu sana kibiashara mwaka huu tukilinganisha na miaka mitano iliyopita, kwa vile kulikuwa na kiangazi kikubwa kilochokumba vibaya hali ya mazao pamoja na uendeshaji wa kazi zingine hapo mwishoni wa mwaka hasa miezi ile mitatu ya mwisho. Sehemu zingine michai ilikauka na kazi ya viwandani ikapunguka kutoka siku sita za kawaida kwa kila wiki mpaka siku tatu tu kwa wiki. Hali hii pia ilikumba wakulima wetu wa nje wanaotuzia majani chai hali ambayo ilisababisha upungufu wa mazao yaliyopatikana.

Shilingi ya Kenya ambayo ilikuwa imeimarika kwa dhamana ikilinganishwa na dolla ya Marekani na pauni ya Uingereza ilisababisha upungufu wa mauzo na faida na pia ikachangia kuwepo ukosefu wa fedha za kutumia.

Upungufu wa mazao na mauzo na pia kuongezeka kwa gharama ya mishahara ya wafanyi kazi na gharama ya rasilimali ya kudumu kwa mambo ya jamii ilisababisha matokeo ya hali ya hasara ikilinganishwa na matokeo mazuri ya mwaka uliyopita.

Kufuatia matokeo haya na kutarajiwa kuwemo na upungufu wa bei kwa masoko ya ulimwenguni, wakurugenzi wenu wamependekeza gawio la sumuni kwa kila hisa moja, (mwaka uliopita 2005 Shs. 5/=)

CHAI

Mazao yaliyopatikana kwa kilo yalikuwa kama ifuatavyo:-

| | 2006 | 2005 | 2004 |
|----------|-----------|-----------|-----------|
| CHANGOI | 3,714,035 | 4,529,735 | 3,714,073 |
| KAIMOSI | 3,031,116 | 3,635,214 | 2,535,558 |
| TINDERET | 1,818,333 | 2,221,562 | 1,660,279 |

RASIMALI

Hapo mwakani jumla ya Shs. 70,299,000/= zilitumika kwa mipango ya kugharamia rasimali kwa mashamba yetu yote. Hii ni pamoja na upandaji chai, ujenzi wa manyumba, mashule, makao ya wafanyi kazi na kustawisha uchukuzi. Zingine Shs 17,069,000/= zikatumika kwa kuandalia upandaji wa michai pamoja na miti ya kuni.

MALI

Nyumba ya Williamson House inaendelea kuwa na wateja katika orofa zote nane tunazozimiliki

UHANDISI

Halukuwa na mabadiliko yoyote mwaka huu.

MAZINGARA

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

MCHANGO WA MAMBO YA JAMII

Mambo makubwa chini ya dibaji hii ni pamoja na:

- (i). Kama nilivyowajulisha mwaka uliopita tunaendelea kusaidia na kuimarisha rasilimali kwa mambo ya jamii kote Mashambani na sasa kuna wafanyi kazi 2,867 walioajiriwa, na zaidi ya watu 15,000 wanaowategemea kote kwa kundi letu.

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

- (ii). Pesa zetu za kigeni tulizozipata kutokana na mauzo zilikuwa Sh. 947,000,000 (mwaka jana 2005 Sh 1,052,040,000)
- (iii). Kampuni hii na viunga vyake imelipa serikali kodi ya Shs. 34,997,000, na kodi zingine za Tea Board of Kenya za Sh10,730,000 ambazo zinatumika kwa mabaraza ya miji na pia kwa kamati ya kusitawisha barabara



NAKALA YA MWENYEKITI (Yaendelea)

- katika wilaya zile tunakuza chai.
- iv). Sasa mishahara ya wafanyi kazi pamoja na gharama zingine zina wahuu zinajumuishwa kuwa zaidi ya asilimia sitini ikilinganishwa na gharama za uzalishaji mazao. Kampuni yetu zilitumia Sh.64,289,000 kama rasilimali ya kutoa huduma bora hasa vifaa vya elimu na afya kote kikundini na jumla ya Sh 7,711,000 zilitumika kwa rasilimali ya kudumu kwa mambo ya jamii kote mashambani.
- (v). Tunaendelea kuhifadhi vyeti vya kukubaliana na mapendekezo ya "Tea sourcing partnership" ya uingereza. Hii inathibitisha ubora wa chai yetu inayotengenezwa katika hali ya juu na kwamba usalama wa wafanyi kazi wetu unazingatiwa.

WAFANYI KAZI

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

Bw. Solomon Koech anaendelea kama mkurugenzi wa ustadi kote kundini na Zabron Mugo akiwa ndiye mhandisi mkuu.

Kwa niaba yetu zote 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 mwaka huu.

MUONGOZO

Bodi yenu inazingatia mambo ya kuendesha kampuni vile ilivyopendekeshwa na pia kuangalia mambo yote ya kijamii ambayo sasa wanunuzi wa chai yetu kutoka nchi za nje wanapendekeza.

Pamoja na nakala ya wakurugenzi kumeandikwa cheti kupanua zaidi juu madaraka kuhusu pendekezo juu ya uendezaji bora wa mashirika.

WAKURUGENZI

Wakati huu mugumu Bodi yenu pamoja na wakuu wa Kampuni wameanza hila mbali mbali jinzi ya kuendesha Kampuni na pia kuongeza masoko ili kuzuia hali ambayo inasababisha kuwemo kwa viwango vya juu kwa mazao hali inayokumba biashara ya majani chai ulimwenguni. Hii ni pamoja na kuwemo shilingi ya Kenya ilivyoimarika zaidi.

Kwa kumalizia 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 kila mara.

N.G.SANDYS-LUMSDAINE
Mwenyekiti

14th June, 2006



REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements of the group for the year ended 31 March 2006.

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 |
| Loss before taxation | (86,666) |
| Taxation credit | 28,391 |
| | <hr/> |
| Loss after taxation | (58,275) |
| Minority interest | 3,227 |
| | <hr/> |
| Net loss for the year | <u>(55,048)</u> |

DIVIDENDS

The directors recommend the payment of a first and final dividend of Sh 0.50 per share, totalling Sh 4,378,200 in respect of the year.

DIRECTORS

The current board of directors is shown on page 2.

Mr. I D C Burridge resigned as director on 10th August 2005 and Mr. A S Marsh was appointed in his place on 2nd March 2006.

In accordance with Article 114 of the Articles of Association, Mr. A S Marsh who was appointed a Director of the Company on 2nd March 2006 retires and being eligible offers himself for re-election.

Mr. E A Bristow retires from the Board after serving for 21 years.

In accordance with the articles of association Mr. S C A Koech retires by rotation and being eligible offers himself for re-election.

Mr. D B White having attained the age of 70 on 5th February 2005 retires by rotation 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

M.M. WACHIRA
Secretary

25th May, 2006



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 five 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 2006 the top 10 major shareholders were as follows;

| Name | | | Location Shares | No of % |
|------|--|---------|--------------------|---------|
| 1. | Ngong Tea Holdings Limited | London | 4,506,164 | 51.50 |
| 2. | Upstream Investments Limited | Nairobi | 324,673 | 3.70 |
| 3. | The Heritage AII Insurance Co. Ltd | Nairobi | 215,000 | 2.50 |
| 4. | Insurance Company of East Africa Ltd | Nairobi | 150,000 | 1.70 |
| 5. | Kirtesh P. Shah | Nairobi | 133,586 | 1.50 |
| 6. | Barclays (Kenya) Nominees Ltd A/c 9230 | Nairobi | 115,792 | 1.30 |
| 7. | Old Mutual Life Assurance Co. Ltd | Nairobi | 112,444 | 1.30 |
| 8. | Kenya Commercial Bank Staff Pension | Nairobi | 112,011 | 1.30 |
| 9. | Craysell Investments Ltd | Nairobi | 100,000 | 1.10 |
| 9. | Barclays (Kenya) Nominees Ltd A/c 1256 | Nairobi | 100,000 | 1.10 |
| 10. | Phoenix E.A. Assurance Co. Ltd | Nairobi | 84,856 | 1.00 |

Analysis of Shareholders

By region:

| Region | Number | Shares held | % |
|---|--------|-------------|--------|
| Foreign investors | 54 | 4,714,902 | 53.80 |
| Local & East Africa investors (Individuals) | 986 | 1,768,138 | 20.20 |
| Local & East Africa investors (Institutional) | 177 | 2,273,280 | 26.00 |
| | 1,217 | 8,756,320 | 100.00 |

By shares distribution:

| | | | |
|-------------------|-------|-----------|--------|
| Less than 500 | 486 | 141,052 | 1.60 |
| 500-10,000 | 676 | 1,439,929 | 16.50 |
| 10,001- 100,000 | 47 | 1,490,759 | 17.00 |
| 100,001-1,000,000 | 7 | 1,178,416 | 13.40 |
| Above 1,000,000 | 1 | 4,506,164 | 51.50 |
| | 1,217 | 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.

S.C.A. KOECH
Director

D. B. WHITE
Director

25th May, 2006



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

We have audited the financial statements on pages 13 to 43 for the year ended 31 March 2006 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 2006 and of the loss 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)

14th June 2006



**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2006**

| | Note | 2006 Sh'000 | 2005 Sh'000 |
|--|------|----------------|----------------|
| REVENUE FROM SALE OF TEA | 2(a) | 985,059 | 1,198,588 |
| FAIR VALUE LOSS ON BIOLOGICAL ASSETS | 16 | (77,712) | (28,010) |
| OPERATING INCOME | | 907,347 | 1,170,578 |
| COST OF SALES | | (942,285) | (965,371) |
| GROSS (LOSS)/PROFIT | | (34,938) | 205,207 |
| OTHER OPERATING INCOME | | 164,491 | 114,763 |
| DISTRIBUTION COSTS | | (79,689) | (91,125) |
| ADMINISTRATIVE EXPENSES | | (117,487) | (99,918) |
| OPERATING (LOSS)/PROFIT | 3 | (67,623) | 128,927 |
| NET FINANCE COSTS | 5 | (13,036) | (3,123) |
| SHARE OF RESULTS OF ASSOCIATED COMPANIES | 13 | (6,007) | 13,950 |
| (LOSS)/PROFIT BEFORE TAXATION | | (86,666) | 139,754 |
| TAXATION CREDIT/(CHARGE) | 6 | 28,391 | (43,182) |
| (LOSS)/PROFIT AFTER TAXATION | 7 | (58,275) | 96,572 |
| MINORITY INTEREST | 26 | 3,227 | (8,341) |
| NET (LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS | | (55,048) | 88,231 |
| COMPRISING: | | | |
| (LOSS)/PROFIT ARISING FROM OPERATING ACTIVITIES | | (1,893) | 111,056 |
| LOSS ARISING FROM CHANGES IN FAIR VALUE OF BIOLOGICAL ASSETS (NET OF ATTRIBUTABLE TAXATION) | | (53,155) | (22,825) |
| NET (LOSS)/PROFIT FOR THE YEAR | | (55,048) | 88,231 |
| (LOSS)/EARNINGS PER SHARE - Basic and diluted | 8 | Sh (6.29) | Sh 10.08 |
| DIVIDENDS PER SHARE | 9 | Sh 0.50 | Sh 5.00 |

CMA-LIBRARY



CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2006

| | Note | 2006 Sh'000 | 2005 Sh'000 |
|---|------|------------------|------------------|
| ASSETS | | | |
| Non current assets | | | |
| Property, plant and equipment | 10 | 693,869 | 714,215 |
| Prepaid operating leases | 11 | 45,981 | 46,032 |
| Investment properties | 12 | 355,000 | 308,148 |
| Investment in associated companies | 13 | 278,502 | 290,830 |
| Other investments | 15 | 1,349 | 1,309 |
| Biological assets | 16 | 1,256,146 | 1,317,036 |
| | | <u>2,630,847</u> | <u>2,677,570</u> |
| Current assets | | | |
| Inventories | 17 | 100,316 | 183,178 |
| Trade and other receivables | 18 | 234,110 | 314,660 |
| Due from associated company | 19 | 25,095 | 5,819 |
| Taxation recoverable | 6 | 15,957 | 719 |
| Investments in unit trusts | 22 | - | 15,000 |
| Short term deposits | 23 | 25,000 | 51,000 |
| Cash and bank balances | | 124,053 | 84,008 |
| | | <u>524,531</u> | <u>654,384</u> |
| Total assets | | <u>3,155,378</u> | <u>3,331,954</u> |
| EQUITY AND LIABILITIES | | | |
| Capital and reserves | | | |
| Share capital | 25 | 43,782 | 43,782 |
| Revaluation surplus | | 163,996 | 180,083 |
| Revenue reserve | | 2,028,439 | 2,067,400 |
| Proposed dividend (gross) | | - | 43,782 |
| Equity attributable to equity holders of Williamson Tea Kenya | | <u>2,236,217</u> | <u>2,335,047</u> |
| Minority interest | 26 | 82,043 | 87,295 |
| Total equity | | <u>2,318,260</u> | <u>2,422,342</u> |
| Non current liabilities | | | |
| Deferred income taxes | 27 | 512,865 | 548,425 |
| Service gratuity | 28 | 113,949 | 118,261 |
| Borrowings | 29 | - | 19,110 |
| | | <u>626,814</u> | <u>685,796</u> |
| Current liabilities | | | |
| Trade and other payables | 30 | 154,389 | 173,968 |
| Taxation payable | 6 | 8,691 | 22,252 |
| Finance lease obligations | 31 | - | 142 |
| Due to associated company | | 584 | 23 |
| Borrowings | 29 | 44,447 | 25,065 |
| Unclaimed dividends | | 2,193 | 2,366 |
| | | <u>210,304</u> | <u>223,816</u> |
| Total equity and liabilities | | <u>3,155,378</u> | <u>3,331,954</u> |

The financial statements on pages 13 to 43 were approved by the board of directors on 25th May 2006 and were signed on its behalf by:

S.C.A. KOECH

D.B. WHITE

} Directors



COMPANY BALANCE SHEET
AS AT 31 MARCH 2006

| | Note | 2006 Sh'000 | 2005 Sh'000 |
|-------------------------------------|------|-------------------------|-------------------------|
| ASSETS | | | |
| Non current assets | | | |
| Property, plant and equipment | 10 | 350,008 | 365,907 |
| Prepaid operating leases | 11 | 11,851 | 11,864 |
| Investment properties | 12 | 355,000 | 308,148 |
| Investment in associated companies | 13 | 79,837 | 79,837 |
| Investment in subsidiaries | 14 | 109,877 | 109,877 |
| Other investments | 15 | 546 | 530 |
| Biological assets | 16 | 555,236 | 627,649 |
| | | <u>1,462,355</u> | <u>1,503,812</u> |
| Current assets | | | |
| Inventories | 17 | 36,538 | 73,741 |
| Trade and other receivables | 18 | 109,224 | 136,652 |
| Due from associated companies | 19 | 19,652 | 5,363 |
| Due from subsidiary companies | 20 | 32,241 | 25,376 |
| Loans to subsidiaries | 21 | 14,612 | 24,777 |
| Tax recoverable | | 1,640 | - |
| Investments in unit trusts | 22 | - | 15,000 |
| Short term deposits | 23 | 25,000 | 51,000 |
| Cash and bank balances | | 80,107 | 56,810 |
| | | <u>319,014</u> | <u>388,719</u> |
| Total assets | | <u><u>1,781,369</u></u> | <u><u>1,892,531</u></u> |
| EQUITY AND LIABILITIES | | | |
| Capital and reserves | | | |
| Share capital | 25 | 43,782 | 43,782 |
| Revaluation surplus | | 98,490 | 106,203 |
| Revenue reserve | | 1,177,171 | 1,187,100 |
| Proposed dividend (gross) | | - | 43,782 |
| | | <u>1,319,443</u> | <u>1,380,867</u> |
| Shareholders' funds | | | |
| Non current liabilities | | | |
| Deferred income taxes | 27 | 251,341 | 272,523 |
| Service gratuity | 28 | 67,077 | 67,608 |
| Borrowings | 29 | - | 12,560 |
| | | <u>318,418</u> | <u>352,691</u> |
| Current liabilities | | | |
| Trade and other payables | 30 | 53,931 | 60,093 |
| Due to subsidiary companies | 20 | 66,412 | 66,132 |
| Due to associated companies | 19 | - | 23 |
| Taxation payable | | 8,691 | 15,707 |
| Borrowings | 29 | 12,281 | 14,652 |
| Unclaimed dividends | | 2,193 | 2,366 |
| | | <u>143,508</u> | <u>158,973</u> |
| Total equity and liabilities | | <u><u>1,781,369</u></u> | <u><u>1,892,531</u></u> |

The financial statements on pages 13 to 43 were approved by the board of directors on 25th May 2006 and were signed on its behalf by:

S.C.A. KOECH
D.B. WHITE

} Directors



**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2006**

| | Share capital | Revaluation surplus | Revenue reserve | | | Proposed Dividend | Equity attributable to equity holders | Minority interest | Total |
|--|------------------|------------------------|--------------------------------------|-----------|-----------|----------------------|--|----------------------|-----------|
| | | | Biological assets gains/losses | Other | Total | | | | |
| | Sh'000 | Sh'000 | Sh'000 | Sh'000 | Sh'000 | Sh'000 | Sh'000 | Sh'000 | Sh'000 |
| At 1 April 2004 | 43,782 | 230,768 | 638,523 | 1,333,743 | 1,972,266 | 32,836 | 2,279,652 | 80,304 | 2,359,956 |
| Surplus realised on disposal of revalued assets | - | (1,583) | - | 1,583 | 1,583 | - | - | - | - |
| Excess depreciation transfer | - | (35,335) | - | 35,335 | 35,335 | - | - | - | - |
| - prior years | - | (19,667) | - | 19,667 | 19,667 | - | - | - | - |
| - current year | - | 5,900 | - | (5,900) | (5,900) | - | - | - | - |
| Deferred tax on excess depreciation | - | - | - | (5,900) | (5,900) | - | - | - | - |
| Net profit for the year | - | - | (22,825) | 111,056 | 88,231 | - | 88,231 | 8,341 | 96,572 |
| Dividends paid - 2004 | - | - | - | - | - | (32,836) | (32,836) | (1,350) | (34,186) |
| Proposed dividend - 2005 | - | - | - | (43,782) | (43,782) | 43,782 | - | - | - |
| At 31 March 2005 | 43,782 | 180,083 | 615,698 | 1,451,702 | 2,067,400 | 43,782 | 2,335,047 | 87,295 | 2,422,342 |
| At 1 April 2005 | 43,782 | 180,083 | 615,698 | 1,451,702 | 2,067,400 | 43,782 | 2,335,047 | 87,295 | 2,422,342 |
| Surplus realised on disposal of revalued assets | - | (620) | - | 620 | 620 | - | - | - | - |
| Excess depreciation transfer | - | (20,754) | - | 20,754 | 20,754 | - | - | - | - |
| Deferred tax on excess depreciation | - | 5,287 | - | (5,287) | (5,287) | - | - | - | - |
| Net loss for the year | - | - | (53,155) | (1,893) | (55,048) | - | (55,048) | (3,227) | (58,275) |
| Dividends paid - 2005 | - | - | - | - | - | (43,782) | (43,782) | (2,025) | (45,807) |
| At 31 March 2006 | 43,782 | 163,996 | 562,543 | 1,465,896 | 2,028,439 | - | 2,236,217 | 82,043 | 2,318,260 |

The revaluation surplus is not distributable and represents the surplus arising from the revaluation of property, plant and equipment.



**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2006**

| | Share Capital Sh'000 | Revaluation surplus Sh'000 | Niological assets Sh'000 | Revenue reserve Other Sh'000 | Total Sh'000 | Proposed dividend Sh '000 | Total Sh '000 |
|---|----------------------------|----------------------------------|--------------------------------|------------------------------------|-----------------|---------------------------------|------------------|
| At 1 April 2004 | 43,782 | 115,329 | 303,462 | 840,355 | 1,143,817 | 32,836 | 1,335,764 |
| Surplus realised on disposal of revalued assets | - | (1,153) | - | 1,153 | 1,153 | - | - |
| Excess depreciation transfer | - | (11,390) | - | 11,390 | 11,390 | - | - |
| Deferred tax on excess depreciation | - | 3,417 | - | (3,417) | (3,417) | - | - |
| Net profit for the year | - | - | (15,069) | 93,008 | 77,939 | - | 77,939 |
| Dividends paid - 2004 | - | - | - | - | - | (32,836) | (32,836) |
| Proposed dividend - 2005 | - | - | - | (43,782) | (43,782) | 43,782 | - |
| At 31 March 2005 | 43,782 | 106,203 | 288,393 | 898,707 | 1,187,100 | 43,782 | 1,380,867 |
| At 1 April 2005 | 43,782 | 106,203 | 288,393 | 898,707 | 1,187,100 | 43,782 | 1,380,867 |
| Surplus realised on disposal of revalued assets | - | (217) | - | 217 | 217 | - | - |
| Deferred tax on disposal of revalued assets | - | 65 | - | (65) | (65) | - | - |
| Excess depreciation transfer: | - | (10,802) | - | 10,802 | 10,802 | - | - |
| Deferred tax on excess depreciation | - | 3,241 | - | (3,241) | (3,241) | - | - |
| Net profit for the year | - | - | (50,342) | 32,700 | (17,642) | - | (17,642) |
| Dividend paid - 2005 | - | - | - | - | - | (43,782) | (43,782) |
| At 31 March 2006 | 43,782 | 98,490 | 238,051 | 939,120 | 1,177,171 | - | 1,319,443 |

The revaluation surplus is not distributable and represents the surplus arising from the revaluation of property, plant and equipment.



**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2006**

| | Note | 2006 Sh'000 | 2005 Sh'000 |
|---|-------|-----------------|-----------------|
| OPERATING ACTIVITIES | | | |
| Cash generated from operations | 32(a) | 133,054 | 188,967 |
| Interest received | | 5,447 | 1,809 |
| Interest paid | | (4,198) | (4,743) |
| Taxation paid | | (37,384) | (38,305) |
| Net cash generated from operating activities | | <u>96,919</u> | <u>147,728</u> |
| INVESTING ACTIVITIES | | | |
| Movement in actual costs of biological assets | | (11,572) | (8,853) |
| Purchase of plant and equipment | | (55,030) | (84,274) |
| Additions to other investments | | (40) | - |
| Proceeds from disposal of plant and equipment | | 6,717 | (1,290) |
| Dividend received - from associated company | | 7,737 | 4,301 |
| - other | | 1,500 | 5,804 |
| Proceeds from redemption of investment in unit trusts | | 15,000 | 3,023 |
| Net cash used in investing activities | | <u>(35,688)</u> | <u>(61,092)</u> |
| FINANCING ACTIVITIES | | | |
| Loans received | 32(b) | - | 4,875 |
| Loans repaid | 32(b) | (27,743) | (23,182) |
| Finance lease repayments | | (142) | (718) |
| Dividends paid to shareholders | | (43,955) | (32,590) |
| Dividends paid to minority interest | 26 | (2,025) | (1,350) |
| Net cash used in financing activities | | <u>(73,865)</u> | <u>(52,965)</u> |
| (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS | | (12,634) | 33,671 |
| CASH AND CASH EQUIVALENTS AT 1 APRIL | | 135,008 | 101,337 |
| CASH AND CASH EQUIVALENTS AT 31 MARCH | 32(c) | <u>122,374</u> | <u>135,008</u> |



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

1 ACCOUNTING POLICIES

The financial statements have been prepared in accordance with International Financial Reporting Standards. The principal accounting policies adopted remain unchanged from the previous year and are as stated below:

Adoption of new and revised international financial reporting standards.

In 2005 several new and revised standards became effective for the first time and have been adopted by the company where relevant to its operations. The adoption of these new and revised standards had no effect on the amounts reported for the current or prior years. This only resulted in changes in presentation and disclosure:

* IAS 1 requires:

- minority interest to be shown as part of equity,
- management judgements and key sources of estimation and uncertainty at the balance sheet date be disclosed in the financial statements.

* IAS 10 affected the presentation of proposed dividends

* IAS 16 required the disclosure of comparative figures for movements in property and equipment

* IAS 24 requires the disclosure of the compensation of key management personnel

At the date of authorisation of these financial statements IFRS 6 on Exploration for and Evaluation of Mineral Assets and IFRS 7 on Financial Instruments Disclosures were in issue but not yet effective. The adoption of these Standards, when effective, will have no material impact on the financial statements of the Group.

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.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

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.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (Continued)

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.

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

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

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. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

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

Consumable stores inventories are stated at weighted average cost.

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.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (Continued)

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.

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.

The group's unionisable staff who resign or whose services are terminated either due to illness or other reasons after completion of ten years of continuous and meritorious service 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.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (Continued)

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 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.

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.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (Continued)

The group classifies its financial assets into the following categories: Financial assets at fair value through profit or loss; loans and receivables; held- to- maturity investments; and available-for-sale assets. Management determines the appropriate classification of its investments at initial recognition.

Financial assets at fair value through profit or loss

This category has two sub-categories: Financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the company provides money, goods or services directly to a debtor with no intention of trading the receivable.

Held to maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity. Where a sale occurs other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and classified as available for sale.

Available-for-sale financial assets

Financial assets that are not (a) financial assets at fair value through profit or loss, (b) loans, advances and receivables, or (c) financial assets held to maturity.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the company has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans, advances and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of "financial assets at fair value through profit or loss" are included in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity, until the financial asset is derecognised or impaired, at which time the cumulative gain or loss previously recognised in equity is recognised in the income statement.

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.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (Continued)

Dividends

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established. Dividends are charged to equity in the period in which they are declared. Proposed dividends are not accrued for until ratified in an annual general meeting.

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).

Critical judgments in applying the entity's accounting policies

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

Critical accounting estimates and assumptions

Biological assets

In determining the fair value of biological assets, the group uses the present value of expected cashflows from the asset discounted at the current market determined pre tax rate. The objective of a calculation of the present value of expected net cash flows is to determine the fair value of a biological asset in its present location and condition. The group considers this in determining an appropriate discount rate to be used and in estimating expected net cash flows. Management uses estimates based on historical data relating to yields, prices of made tea and exchange rates. The methodology and assumptions used for estimating both the amount and timing of future cashflows are reviewed to reduce any differences between estimates and actual experience. The significant assumptions are set out in note 16.

Property, plant and equipment

Critical estimates are made by the directors in determining depreciation rates for property plant and equipment.

Comparatives

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. SEGMENTAL INFORMATION

(a) Primary reporting format - Business segments

| | Tea Sh'000 | Property Sh'000 | Generator trading Sh'000 | Group Sh'000 |
|--|---------------|--------------------|--------------------------------|-----------------|
| 2006 | | | | |
| Revenue | 985,059 | 31,337 | 71,839 | 1,088,235 |
| Other incomes | 13,910 | 46,852 | 553 | 61,315 |
| Operating (loss)/profit | (143,210) | 68,220 | 7,367 | (67,623) |
| Group's share of associated companies' results | (3,873) | (718) | - | (4,591) |
| Segment assets | 2,744,992 | 355,000 | 55,386 | 3,155,378 |
| Segment liabilities | 820,619 | - | 16,499 | 837,118 |
| Depreciation | 65,514 | - | 1,719 | 67,233 |
| Capital expenditure | 53,151 | - | 1,879 | 55,030 |
| | ===== | ===== | ===== | ===== |
| | Tea Sh'000 | Property Sh'000 | Generator trading Sh'000 | Group Sh'000 |
| 2005 | | | | |
| Revenue | 1,198,588 | 30,595 | 61,327 | 1,290,210 |
| Other incomes | 18,266 | 4,875 | - | 23,141 |
| 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 |
| | ===== | ===== | ===== | ===== |
| | | | 2006 Sh'000 | 2005 Sh'000 |

(b) Secondary reporting - geographical segments

The group's tea revenue is derived from the following markets:

| | | |
|----------|---------|-----------|
| Offshore | 807,567 | 1,012,258 |
| Kenya | 177,492 | 186,330 |
| | 985,059 | 1,198,588 |
| | ===== | ===== |

3. OPERATING (LOSS)/PROFIT

The operating (loss)/profit is arrived at after charging:

| | | |
|--|---------|---------|
| Amortisation | 51 | 50 |
| Depreciation | 67,233 | 70,299 |
| Directors' remuneration: | | |
| Fees | 750 | 750 |
| Other emoluments | 10,094 | 13,067 |
| Staff costs (Note 4) | 325,107 | 365,549 |
| Auditors' remuneration | 4,606 | 3,483 |
| Loss on disposal of property, plant and equipment | - | 650 |
| and after crediting: | ===== | ===== |
| Operating lease rental income | 31,337 | 30,295 |
| Fair value of agricultural produce harvested during the year | 172,382 | 228,176 |
| Profit on disposal of property plant and equipment | 3,824 | - |
| Gain on valuation of investment property | 46,852 | 4,875 |
| | ===== | ===== |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

| | 2006 Sh'000 | 2005 Sh'000 |
|---|-----------------|----------------|
| 4 STAFF COSTS | | |
| Wages and salaries | 271,700 | 305,693 |
| Social security costs (NSSF) | 7,001 | 10,580 |
| Pension costs (defined contribution plan) | 4,541 | 5,522 |
| Service gratuity and other terminal benefits | 15,932 | 27,978 |
| Leave pay provision | 19,400 | 7,839 |
| Medical expenses | 6,533 | 7,937 |
| | <u>325,107</u> | <u>365,549</u> |
| The average number of staff employed by the group during the year was as follows: | | |
| | Number | Number |
| Permanent | 2,684 | 3,908 |
| Seasonal | 183 | 805 |
| | <u>2,867</u> | <u>4,713</u> |
| 5 NET FINANCE COSTS | | |
| Interest expense: | | |
| - bank overdrafts | (1,344) | (216) |
| - bank loans | (2,046) | (3,540) |
| - group loans | (392) | (724) |
| - finance leases | (416) | (263) |
| | <u>(4,198)</u> | <u>(4,743)</u> |
| Interest income on short term deposits | 5,447 | 1,905 |
| Dividend income | 1,500 | 3,023 |
| Net foreign exchange losses | (15,785) | (3,308) |
| | <u>(13,036)</u> | <u>(3,123)</u> |
| 6 TAXATION | | |
| (a) TAX CHARGE | | |
| Current taxation based on the adjusted loss/profit at 30% | | |
| - Current year | 8,585 | 52,994 |
| - Prior year underprovision | - | 405 |
| | <u>8,585</u> | <u>53,399</u> |
| Deferred tax credit-note 27 | (35,560) | (14,643) |
| | <u>(26,975)</u> | <u>38,756</u> |
| Share of associated company's taxation: Current taxation | - | 5,887 |
| Deferred tax credit | (1,416) | (1,461) |
| | <u>(1,416)</u> | <u>4,426</u> |
| | <u>(28,391)</u> | <u>43,182</u> |



NOTES TO THE FINANCIAL STATEMENTS (Continued)

| | 2006 Sh'000 | 2005 Sh'000 |
|--|----------------|----------------|
| (b) RECONCILIATION OF EXPECTED TAX BASED ON ACCOUNTING (LOSS)/PROFIT TO TAX EXPENSE | | |
| Accounting (loss)/before taxation | (86,666) | 139,754 |
| | ===== | ===== |
| Tax at the applicable rate of 30% | (26,100) | 41,926 |
| Tax effect of expenses not deductible for tax purposes | 8,369 | 8,454 |
| Tax effect of income not taxable | (10,660) | (7,603) |
| Prior year underprovision | - | 405 |
| | ===== | ===== |
| | (28,391) | 43,182 |
| | ===== | ===== |
| (c) TAX MOVEMENT | | |
| At beginning of the year: | | |
| Payable | 22,252 | 8,763 |
| Recoverable | (719) | (2,324) |
| | ===== | ===== |
| | 21,533 | 6,439 |
| Taxation charge | 8,585 | 53,399 |
| Taxation paid | (37,384) | (38,305) |
| | ===== | ===== |
| At end of the year | (7,266) | 21,533 |
| Net tax (recoverable)/payable | ===== | ===== |
| Comprising: | | |
| Payable | 8,691 | 22,252 |
| Recoverable | (15,957) | (719) |
| | ===== | ===== |
| | (7,266) | 21,533 |
| | ===== | ===== |

7 PROFIT AFTER TAXATION - COMPANY

A loss after taxation of Sh 17,642,000 (2005 - profit of Sh 77,939,000) 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 the number of ordinary shares in issue during the year.

| | 2006 Sh'000 | 2005 Sh'000 |
|--|----------------|----------------|
| Earnings | | |
| (Loss) / earnings for purposes of basic and diluted earnings per share | (55,048) | 88,231 |
| | ===== | ===== |
| Number of shares | | |
| Number of ordinary shares (thousands) | 8,756 | 8,756 |
| | ===== | ===== |
| (Loss)/earnings per share | | |
| Basic (Sh) and diluted (Sh) | (6.29) | 10.08 |
| | ===== | ===== |

There were no potentially dilutive shares outstanding at 31 March 2006 or 31 March 2005.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9 PROPOSED DIVIDEND

Proposed dividends are not accounted for until they have been ratified at the Annual General Meeting. At the meeting to be held on 20 July 2006, a first and final dividend is to be proposed in respect of 2006 of Sh 0.50 per share (2005 - Sh 5 per share) amounting to a total of Sh 4,378,200 (2005 - Sh 43,782,000). The financial statements for the year ended 31 March 2006 do not reflect this resolution which will be accounted for in shareholders' equity as an appropriation of retained profits in the year ended 31 March 2007.

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 |
|----------------------------------|---|---|-------------------------------------|-----------------------------|---|---------------------|-------------------------------|-----------------|
| COST OR VALUATION | | | | | | | | |
| 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) |
| Reclassification | 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 |
| At 1 April 2005 | 527,287 | 296,783 | 83,491 | 48,552 | 19,906 | 19,136 | 5,250 | 1,000,405 |
| Additions | 13,384 | 22,386 | 2,269 | 4,687 | 532 | 2,541 | 9,231 | 55,030 |
| Disposals | (850) | (2,320) | (4,113) | (6,096) | (786) | (503) | - | (14,668) |
| Transferred to biological assets | - | - | - | - | - | - | (5,250) | (5,250) |
| At 31 March 2006 | 539,821 | 316,849 | 81,647 | 47,143 | 19,652 | 21,174 | 9,231 | 1,035,517 |
| Comprising: | | | | | | | | |
| At Valuation 2002 | 503,779 | 258,655 | - | - | - | - | - | 762,434 |
| At Cost | 36,042 | 58,194 | 81,647 | 47,143 | 19,652 | 21,174 | 9,231 | 273,083 |
| | 539,821 | 316,849 | 81,647 | 47,143 | 19,652 | 21,174 | 9,231 | 1,035,517 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10 PROPERTY, PLANT AND EQUIPMENT

GROUP

| | Freehold land and buildings 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 |
|-----------------------------|---|---|-------------------------------------|-----------------------------|---|---------------------|-------------------------------|-----------------|
| DEPRECIATION | | | | | | | | |
| 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 disposal | - | (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 |
| At 1 April 2005 | 93,203 | 73,403 | 59,805 | 33,287 | 12,823 | 13,669 | - | 286,190 |
| Charge for the year | 28,058 | 21,400 | 5,923 | 7,625 | 1,283 | 2,944 | - | 67,233 |
| Eliminated on disposal | (305) | (2,084) | (4,099) | (4,581) | (322) | (384) | - | (11,775) |
| At 31 March 2006 | 120,956 | 92,719 | 61,629 | 36,331 | 13,784 | 16,229 | - | 341,648 |
| NET BOOK VALUE | | | | | | | | |
| At 31 March 2006 | 418,865 | 224,130 | 20,018 | 10,812 | 5,868 | 4,945 | 9,231 | 693,869 |
| At 31 March 2005 | 434,084 | 223,380 | 23,686 | 15,265 | 7,083 | 5,467 | 5,250 | 714,215 |
| NET BOOK VALUE (Cost basis) | | | | | | | | |
| At 31 March 2006 | 215,785 | 177,077 | 20,016 | 12,369 | 5,714 | 4,945 | 9,231 | 445,137 |
| At 31 March 2005 | 217,571 | 165,470 | 23,685 | 16,823 | 6,928 | 5,465 | 5,250 | 441,192 |

Land, building 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 94,722,000 (2005 - Sh 83,440,000) which are fully depreciated and whose normal depreciation charge for the year would have been Sh 22,563,000 (2005 - Sh 20,639,000).

Land and buildings with net book value of Sh 418,865,000 (2005 - Sh 434,084,000) have been charged to secure banking facilities granted to the group as disclosed in note 29.

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 |
|------------------------------------|---|---|-------------------------------------|-----------------------------|---|---------------------|-------------------------------|-----------------|
| COST OR VALUATION | | | | | | | | |
| 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) |
| Reclassification | 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 | - | - | - | - | - | - |
| At Cost | 10,608 | 23,368 | 35,344 | 14,915 | 9,721 | 10,898 | - | 382,756 |
| | 290,173 | 126,559 | 35,344 | 14,915 | 9,721 | 10,898 | - | 487,610 |
| At 1 April 2005 | 290,173 | 126,559 | 35,344 | 14,915 | 9,721 | 10,898 | - | 487,610 |
| Additions | 5,076 | 6,740 | 1,289 | 754 | 110 | 714 | 1,179 | 15,862 |
| Disposals | - | (905) | (1,447) | (2,000) | (786) | (503) | - | (5,641) |
| At 31 March 2006 | 295,249 | 132,394 | 35,186 | 13,669 | 9,045 | 11,109 | 1,179 | 497,831 |
| Comprising: | | | | | | | | |
| At Valuation 2002 | 279,565 | 103,191 | - | - | - | - | - | - |
| At Cost | 15,684 | 29,203 | 35,186 | 13,669 | 9,045 | 11,109 | 1,179 | 382,756 |
| | 295,249 | 132,394 | 35,186 | 13,669 | 9,045 | 11,109 | 1,179 | 497,831 |
| DEPRECIATION | | | | | | | | |
| 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 disposal | - | (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 |
| At 1 April 2005 | 45,913 | 27,633 | 23,939 | 9,176 | 6,437 | 8,605 | - | 121,703 |
| Charge for the year | 14,312 | 8,633 | 3,442 | 2,721 | 435 | 1,210 | - | 30,753 |
| Eliminated on disposal | - | (905) | (1,447) | (1,575) | (322) | (384) | - | (4,633) |
| At 31 March 2006 | 60,225 | 35,361 | 25,934 | 10,322 | 6,550 | 9,431 | - | 147,823 |
| NET BOOK VALUE | | | | | | | | |
| At 31 March 2006 | 235,024 | 97,031 | 9,254 | 3,347 | 2,495 | 1,678 | 1,179 | 350,008 |
| At 31 March 2005 | 244,260 | 98,926 | 11,405 | 5,739 | 3,284 | 2,293 | - | 365,907 |
| NET BOOK VALUE (Cost basis) | | | | | | | | |
| At 31 March 2006 | 124,810 | 73,612 | 9,254 | 3,347 | 2,495 | 1,678 | 1,179 | 216,375 |
| At 31 March 2005 | 126,338 | 70,238 | 11,405 | 5,739 | 3,284 | 2,294 | - | 219,298 |

Land, buildings 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 44,461,000 (2005 - Sh 26,986,000) which are fully depreciated and whose normal depreciation charge for the year would have been Sh 13,776,000 (2005 - Sh 9,050,000). Land, buildings and development with net book value of Sh 235,024,000 (2005 - 244,260,000) have been charged to secure banking facilities granted to the company as disclosed in note 29.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11 PREPAID OPERATING LEASES

| | GROUP Leasehold land Sh'000 | COMPANY Leasehold land Sh'000 |
|-----------------------------------|--------------------------------------|--|
| COST | | |
| At 1 April 2005 and 31 March 2006 | 50,181 | 12,613 |
| AMORTISATION | | |
| As 1 April 2005 | 4,149 | 749 |
| Amortisation for the year | 51 | 13 |
| At 31 March 2006 | 4,200 | 762 |
| NET BOOK VALUE | | |
| At 31 March 2006 | 45,981 | 11,851 |
| At 31 March 2005 | 46,032 | 11,864 |
| Market value | 106,345 | 17,395 |

Leasehold land has been charged to secure banking facilities granted to the group as disclosed in note 29.

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

12 INVESTMENT PROPERTIES

At fair value:

At 1 April
Gain in market value

At 31 March

COST

GROUP & COMPANY
2006
Sh'000

2005
Sh'000

| | |
|---------|---------|
| 308,148 | 303,273 |
| 46,852 | 4,875 |
| 355,000 | 308,148 |
| 182,233 | 182,233 |

The investment properties were revalued as at 31 March 2006 by Lloyd Masika Limited, Registered Valuers and Estate Agents.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

| | 2006 Sh'000 | 2005 Sh'000 |
|---|----------------|----------------|
| 13 INVESTMENT IN ASSOCIATED COMPANIES | | |
| GROUP | | |
| Kapchorua Tea Company Limited (Quoted) - 39.56% owned: At share of net assets (market value - Sh 391,200,000 2005 - Sh 391,200,000) | 259,003 | 270,615 |
| Williamson Developments Limited (Unquoted) - 50% Share of net assets | 19,499 | 20,215 |
| | <u>278,502</u> | <u>290,830</u> |
| COMPANY | | |
| Kapchorua Tea Company Limited (Quoted); 39.56% owned: At cost - (market value - Sh 391,200,000 2005 - Sh 391,200,000) | 49,479 | 49,479 |
| Williamson Developments Limited (Unquoted) - 50% owned at cost | 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 | 290,830 | 287,110 |
| Share of (loss)/profit before taxation | (6,007) | 13,950 |
| Share of tax | 1,416 | (4,426) |
| Dividend received | (7,737) | (5,804) |
| At 31 March | <u>278,502</u> | <u>290,830</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)

| | 2006 Sh'000 | 2005 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 | |
|-----------------------------|----------------|----------------|----------------|----------------|
| | 2006 Sh'000 | 2005 Sh'000 | 2006 Sh'000 | 2005 Sh'000 |
| 15 OTHER INVESTMENTS | | | | |
| Available for sale | | | | |
| Unquoted: | | | | |
| At cost | 1,346 | 1,305 | 546 | 530 |
| - Trade | 3 | 3 | - | - |
| - Other | <u>1,349</u> | <u>1,308</u> | <u>546</u> | <u>530</u> |
| Quoted: | | | | |
| At market value | - | 1 | - | - |
| | <u>1,349</u> | <u>1,309</u> | <u>546</u> | <u>530</u> |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16 BIOLOGICAL ASSETS GROUP

| | Tea bushes Sh '000 | Timber Trees Sh '000 | Fuel Trees Sh '000 | Total 2006 Sh '000 | Total 2005 Sh '000 |
|--|-----------------------|-------------------------|-----------------------|-----------------------|-----------------------|
| Carrying amount at 1 April 2005 | 1,060,152 | 112,236 | 144,648 | 1,317,036 | 1,336,192 |
| Expenditure on biological assets | 10,095 | 412 | 1,312 | 11,819 | 11,592 |
| Transfer from property, plant & equipment | 5,250 | - | - | 5,250 | - |
| Decrease due to harvest | - | - | (247) | (247) | (2,738) |
| | <u>1,075,497</u> | <u>112,648</u> | <u>145,713</u> | <u>1,333,858</u> | <u>1,345,046</u> |
| Gains/(loss) arising from changes in fair value attributable to physical changes | (63,636) | 9,647 | (23,551) | (77,540) | 32,644 |
| Gain/(loss) arising from changes in fair value attributable to price changes | (43,506) | 37,451 | 5,883 | (172) | (60,654) |
| Net fair value gain/(loss) | <u>(107,142)</u> | <u>47,098</u> | <u>(17,668)</u> | <u>(77,712)</u> | <u>(28,010)</u> |
| Carrying amount at 31 March 2006 | <u>968,355</u> | <u>159,746</u> | <u>128,045</u> | <u>1,256,146</u> | <u>1,317,036</u> |

COMPANY

| | | | | | |
|--|-----------------|---------------|-----------------|-----------------|-----------------|
| Carrying amounts | | | | | |
| At 1 April 2005 | 512,167 | 30,437 | 85,045 | 627,649 | 648,882 |
| Expenditure on biological assets | 747 | 156 | - | 903 | 294 |
| Decrease due to harvest | - | - | (1,398) | (1,398) | - |
| | <u>512,914</u> | <u>30,593</u> | <u>83,647</u> | <u>627,154</u> | <u>649,176</u> |
| (Losses)/gains arising from changes in fair value attributable to physical changes | (6,160) | 11,610 | (16,283) | (10,833) | 15,620 |
| Gain arising from changes in fair value attributable to price changes | (70,754) | 9,669 | - | (61,085) | (37,147) |
| Net fair value (loss)/gain | <u>(76,914)</u> | <u>21,279</u> | <u>(16,283)</u> | <u>(71,918)</u> | <u>(21,527)</u> |
| Carrying amount at 31 March 2006 | <u>436,000</u> | <u>51,872</u> | <u>67,364</u> | <u>555,236</u> | <u>627,649</u> |

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

- Tea bushes are considered to be productive for an estimated period of 30 years.
- The expected market price of tea will remain constant, based on the dollar average price for the last five years and the ruling rate of exchange at year end. Firewood and timber prices are also expected to remain constant.
- A discount rate of 14.8% per annum is applied to discount 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 cash flows less point of sale costs and tea processing income are discounted to determine the fair value of tea bushes. The remaining 40% of net market value is assigned to regeneration of tea leaf.
- The maturity period of firewood and timber trees is between 5 and 25 years depending on the species of the tree.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

| | GROUP | | COMPANY | |
|---|----------------|----------------|----------------|----------------|
| | 2006 Sh'000 | 2005 Sh'000 | 2006 Sh'000 | 2005 Sh'000 |
| 17 INVENTORIES | | | | |
| Tea stocks | 54,141 | 134,351 | 23,201 | 55,473 |
| Firewood | 4,969 | 3,138 | 1,409 | 810 |
| Stores | 39,879 | 44,570 | 11,928 | 17,458 |
| Generators | 802 | 802 | - | - |
| Work in progress | - | 317 | - | - |
| Goods in transit | 420 | - | - | - |
| Other | 105 | - | - | - |
| | <u>100,316</u> | <u>183,178</u> | <u>36,538</u> | <u>73,741</u> |
| 18 TRADE AND OTHER RECEIVABLES | | | | |
| Trade | 128,589 | 238,684 | 28,153 | 94,033 |
| Staff | 25,553 | 30,231 | 17,538 | 18,693 |
| VAT receivable | 16,036 | 28,202 | 18,927 | 12,915 |
| Loans to directors | 2,222 | 2,331 | 2,222 | 2,332 |
| Other | 61,710 | 15,212 | 42,384 | 8,679 |
| | <u>234,110</u> | <u>314,660</u> | <u>109,224</u> | <u>136,652</u> |
| The loans to directors are interest free. | | | | |
| 19 DUE FROM ASSOCIATED COMPANIES | | | | |
| Kapchorua Tea Company Limited | 17,526 | 5,819 | 15,370 | 5,363 |
| Williamson Development Limited | 7,569 | - | 4,282 | - |
| | <u>25,095</u> | <u>5,819</u> | <u>19,652</u> | <u>5,363</u> |
| DUE TO ASSOCIATED COMPANIES | | | | |
| Williamson Developments Limited | - | 23 | - | 23 |
| Kapchorua Tea Company Limited | 584 | - | - | - |
| | <u>584</u> | <u>23</u> | <u>-</u> | <u>23</u> |
| 20 DUE FROM SUBSIDIARY COMPANIES | | | | |
| Kaimosi Tea Estates Limited | | | 16,083 | 12,195 |
| Williamson Power Limited | | | 1,576 | 376 |
| Tinderet Tea Estates (1989) Limited | | | 14,582 | 12,805 |
| | | | <u>32,241</u> | <u>25,376</u> |
| DUE FROM SUBSIDIARY COMPANIES | | | | |
| Tea Properties Limited | | | 66,132 | 66,132 |
| Williamson Power Limited | | | 280 | - |
| | | | <u>66,412</u> | <u>66,132</u> |



NOTES TO THE FINANCIAL STATEMENTS (Continued)

| | 2006 Sh'000 | 2005 Sh'000 |
|-------------------------------------|----------------|----------------|
| 21 LOANS TO SUBSIDIARY COMPANIES | | |
| Kaimosi Tea Estate Limited | 9,612 | 14,777 |
| Tinderet Tea Estates (1989) Limited | 5,000 | 10,000 |
| | <u>14,612</u> | <u>24,777</u> |

The loans to subsidiary companies are unsecured and mature within one year. The effective interest rate on the loans as at 31 March 2006 was 6.92% (2005 - 6.75%).

| | GROUP | | COMPANY | |
|--|----------------|----------------|----------------|----------------|
| | 2006 Sh'000 | 2005 Sh'000 | 2006 Sh'000 | 2005 Sh'000 |
| 22 INVESTMENTS IN UNIT TRUSTS | | | | |
| Old Mutual Investment Services Limited | - | 15,000 | - | 15,000 |
| | <u>-</u> | <u>15,000</u> | <u>-</u> | <u>15,000</u> |

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%

| | GROUP | | COMPANY | |
|------------------------|----------------|----------------|----------------|----------------|
| | 2006 Sh'000 | 2005 Sh'000 | 2006 Sh'000 | 2005 Sh'000 |
| 23 SHORT TERM DEPOSITS | | | | |
| NIC Bank Limited | 25,000 | 45,000 | 25,000 | 45,000 |
| Bank of Africa Limited | - | 6,000 | - | 6,000 |
| | <u>25,000</u> | <u>51,000</u> | <u>25,000</u> | <u>51,000</u> |

The effective interest rate on short term deposits as at 31 March 2006 was 8% (2005 - 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:

| | 2006 Sh'000 | 2005 Sh'000 |
|--|----------------|----------------|
| Sales through a related party (Williamson Tea Holdings plc - parent) | 475,275 | 572,404 |
| Technical support (Williamson Tea Holdings plc - parent) | 13,633 | 15,065 |
| Agency commission and charges received (Kapchorua Tea Company Limited - associate) | 17,908 | 24,759 |
| Licence fees (George Williamson & Company Limited) | 13,633 | 15,065 |
| Guarantee in respect of banking facilities (Subati Limited - common ownership) | 57,498 | 64,594 |
| | <u>57,498</u> | <u>64,594</u> |

Loan from parent company

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 5.66%. The balance outstanding on the shareholder loan at 31 March 2006 is disclosed in note 29.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

| | | 2006 Sh'000 | 2005 Sh'000 |
|---|--|----------------|----------------|
| Compensation of key management personnel | | | |
| The remuneration of directors and other members of key management during the period was as follows: | | | |
| Salaries and other benefits | | 52,353 | 63,702 |
| | | ===== | ===== |
| Fees for services as directors | | 750 | 750 |
| Other emoluments (included in key management compensation above) | | 52,353 | 63,702 |
| | | 53,103 | 64,452 |
| | | ===== | ===== |
| 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 | 87,295 | 80,304 |
| | Share of (loss)/profit | (3,227) | 8,341 |
| | Dividend paid | (2,025) | (1,350) |
| | | 82,043 | 87,295 |
| | | ===== | ===== |
| | At 31 March | | |
| | Represented by: | 18 | 18 |
| | % holding in Tinderet | ===== | ===== |
| 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 |
| | | 2006 Sh'000 | 2005 Sh'000 |
| | | 2006 Sh'000 | 2005 Sh'000 |
| | The net deferred taxation liability is attributable to the following items: | | |
| | Deferred tax liabilities: | | |
| | Accelerated capital allowances | 198,706 | 192,159 |
| | Revaluation of investment property | 51,830 | 51,830 |
| | Revaluation surplus | 84,736 | 35,143 |
| | Fair value adjustments - biological assets | 242,620 | 102,022 |
| | Fair value adjustments - inventories | 430 | 1,550 |
| | | 578,322 | 285,683 |
| | | ===== | ===== |
| | | 588,808 | 298,363 |
| | | ===== | ===== |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

27 DEFERRED INCOME TAXES (continued)

| | GROUP | | COMPANY | |
|--------------------------------------|-----------------|-----------------|-----------------|-----------------|
| | 2006 Sh'000 | 2005 Sh'000 | 2006 Sh'000 | 2005 Sh'000 |
| Deferred tax assets: | | | | |
| Unrealised exchange gains | (463) | (793) | (52) | (230) |
| Service gratuity provision | (34,185) | (35,477) | (20,123) | (20,282) |
| Leave pay provision | (3,141) | (4,113) | (1,902) | (2,606) |
| Stock general provision | (436) | - | (354) | - |
| Tax losses | (27,232) | - | (11,911) | - |
| Fair value adjustments - inventories | - | - | - | (2,722) |
| | <u>(65,457)</u> | <u>(40,383)</u> | <u>(34,342)</u> | <u>(25,840)</u> |
| Net deferred tax liability | <u>512,865</u> | <u>548,425</u> | <u>251,341</u> | <u>272,523</u> |

The movement on the deferred tax account is as follows:

| | | | | |
|---------------------------------------|----------------|----------------|----------------|----------------|
| At 1 April | 548,425 | 563,068 | 272,523 | 281,070 |
| Income statement tax credit (note 6a) | (35,560) | (14,643) | (21,182) | (8,547) |
| At 31 March | <u>512,865</u> | <u>548,425</u> | <u>251,341</u> | <u>272,523</u> |

| | GROUP | | COMPANY | |
|---------------------------|----------------|----------------|----------------|----------------|
| | 2006 Sh'000 | 2005 Sh'000 | 2006 Sh'000 | 2005 Sh'000 |
| 28 SERVICE GRATUITY | | | | |
| At 1 April | 118,261 | 90,327 | 67,608 | 51,398 |
| Provision during the year | 8,394 | 35,876 | 4,786 | 21,328 |
| Payments in the year | (12,706) | (7,942) | (5,317) | (5,118) |
| At 31 March | <u>113,949</u> | <u>118,261</u> | <u>67,077</u> | <u>67,608</u> |

29 BORROWINGS

a) Loans

| | | | | |
|------------------|---------------|---------------|---------------|---------------|
| Bank overdraft | 26,679 | - | 6,011 | - |
| Bank loans | 11,498 | 30,075 | - | 13,112 |
| Shareholder loan | 6,270 | 14,100 | 6,270 | 14,100 |
| | <u>44,447</u> | <u>44,175</u> | <u>12,281</u> | <u>27,212</u> |

The borrowings are repayable as follows:

| | | | | |
|--|-----------------|-----------------|-----------------|-----------------|
| On demand and within one year | 44,447 | 25,065 | 12,281 | 14,652 |
| In the second year | - | 19,110 | - | 12,560 |
| | <u>44,447</u> | <u>44,175</u> | <u>12,281</u> | <u>27,212</u> |
| Amounts due for settlement within one year | <u>(44,447)</u> | <u>(25,065)</u> | <u>(12,281)</u> | <u>(14,652)</u> |
| Amounts due for settlement after one year | - | 19,110 | - | 12,560 |



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 |
|------------------|--------------------------------|--------------------------------|--------------------------------|-----------------|
| 2006 | | | | |
| Bank overdrafts | 15,401 | 11,278 | - | 26,679 |
| Bank loans | - | 11,498 | - | 11,498 |
| Shareholder loan | - | - | 6,270 | 6,270 |
| | <u>15,401</u> | <u>22,776</u> | <u>6,270</u> | <u>44,447</u> |
| 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> |

Company

| | Borrowings In KES Sh'000 | Borrowings in USD Sh'000 | Borrowings in GBP Sh'000 | Total Sh'000 |
|------------------|--------------------------------|--------------------------------|--------------------------------|-----------------|
| 2006 | | | | |
| Bank loans | - | 6,011 | - | 6,011 |
| Shareholder loan | - | - | 6,270 | 6,270 |
| | <u>-</u> | <u>6,011</u> | <u>6,270</u> | <u>12,281</u> |
| 2005 | | | | |
| Bank loans | - | 13,112 | - | 13,112 |
| Shareholder loan | - | - | 14,100 | 14,100 |
| | <u>-</u> | <u>13,112</u> | <u>14,100</u> | <u>27,212</u> |

b) Interest rates

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

| | 2006 | 2005 |
|-------------------------|-------------|-------------|
| Bank loans | | |
| Share holder loan - GBP | 8.76 | 8.00 |
| Bank overdraft - KSh | 5.66 | 5.88 |
| Bank overdraft - US\$ | 13.75 | 12.75 |
| | <u>7.50</u> | <u>8.00</u> |

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.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

29 BORROWINGS (Continued)

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 Lolsa 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 127,821,000 (2005 - Sh 149,650,000). The borrowing facilities consist of loans, bank overdrafts, letters of credit and guarantees

30 TRADE AND OTHER PAYABLES

| | GROUP | | COMPANY | |
|----------------------|----------------|----------------|---------------|---------------|
| | 2006 | 2005 | 2006 | 2005 |
| | Sh'000 | Sh'000 | Sh'000 | Sh'000 |
| Trade payables | 30,094 | 31,319 | 6,625 | 16,613 |
| Green leaf provision | 56,158 | 60,125 | 11,918 | 15,688 |
| Leave provision | 10,470 | 13,710 | 6,340 | 8,687 |
| Other payables | 57,667 | 68,814 | 29,048 | 19,105 |
| | <u>154,389</u> | <u>173,968</u> | <u>53,931</u> | <u>60,093</u> |
| | ===== | ===== | ===== | ===== |

31 FINANCE LEASE OBLIGATIONS - GROUP

| | Minimum lease payments (including finance charges) | | Present value of minimum lease payments (excluding finance charges) | |
|--|---|------------|---|------------|
| | 2006 | 2005 | 2006 | 2005 |
| | Sh'000 | Sh'000 | Sh'000 | Sh'000 |
| Within one year | - | 191 | - | 142 |
| In second year | - | - | - | - |
| In the third to fifth year inclusive | - | - | - | - |
| | <u>-</u> | <u>191</u> | <u>-</u> | <u>142</u> |
| Less: Future finance charges | - | (49) | - | - |
| | <u>-</u> | <u>142</u> | <u>-</u> | <u>142</u> |
| Present value of lease obligations | ===== | ===== | ===== | ===== |
| | | | | (142) |
| Amounts due for settlement within one year | | | | |
| Amounts due for settlement after one year | | | ===== | ===== |

The average lease period is 3 years. The average interest rates paid was 11.6 %
The finance leases are secured by motor vehicles which are the subject of the finance leases.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

32 NOTES TO THE CASH FLOW STATEMENT

| | 2006 Sh'000 | 2005 Sh'000 |
|---|----------------|----------------|
| (a) Reconciliation of operating (loss)/profit to cash generated from operations | | |
| Operating (loss)/profit | (67,623) | 128,927 |
| Adjustments for: | | |
| Depreciation | 67,233 | 70,299 |
| Amortisation | 51 | 50 |
| (Profit)/loss on disposal of plant and equipment | (3,824) | 650 |
| Exchange differences | (14,449) | (3,692) |
| Fair value adjustment on biological assets | 77,712 | 28,010 |
| Fair value gain on investment property | (46,852) | (4,875) |
| Operating profit before working capital changes | 12,248 | 219,369 |
| Decrease/(increase) in inventories | 82,862 | (11,706) |
| Decrease/(increase) in trade and other receivables | 80,550 | (68,687) |
| (Decrease)/increase in trade and other payables | (19,579) | 24,668 |
| Movement in associated company balances | (18,715) | (2,611) |
| (Decrease)/increase in service gratuity | (4,312) | 27,934 |
| Cash generated from operations | 133,054 | 188,967 |
| (b) Analysis of changes in loans | ===== | ===== |
| At 1 April | 44,175 | 62,961 |
| Loans received | - | 4,875 |
| Loans repaid | (27,743) | (23,182) |
| Exchange loss/(gain) | 1,336 | (479) |
| At 31 March | 17,768 | 44,175 |
| (c) Analysis of cash and cash equivalents | ===== | ===== |
| Short term deposits | 25,000 | 51,000 |
| Cash and bank balances | 124,053 | 84,008 |
| Bank overdrafts | (26,679) | - |
| At 31 March | 122,374 | 135,008 |
| | ===== | ===== |

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 | |
|-----------------------------------|----------------|----------------|----------------|----------------|
| | 2006 Sh'000 | 2005 Sh'000 | 2006 Sh'000 | 2005 Sh'000 |
| 33 CAPITAL COMMITMENTS | | | | |
| Authorised but not contracted for | 62,426 | 101,049 | 31,871 | 33,515 |
| Authorised and contracted for | 31,473 | 5,000 | 25,491 | - |
| | <u>93,899</u> | <u>106,049</u> | <u>57,362</u> | <u>33,515</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 30,380,479 (2005 - Sh30,295,000). At the balance sheet date, the group had contracted with tenants for the following future lease receivables.

| | 2006 Sh'000 | 2005 Sh'000 |
|--|----------------|----------------|
| Within one year | 22,527 | 23,885 |
| In the second to fifth years inclusive | 69,371 | 51,229 |
| | <u>91,898</u> | <u>75,114</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 | |
|---|----------------|----------------|----------------|----------------|
| | 2006 Sh'000 | 2005 Sh'000 | 2006 Sh'000 | 2005 Sh'000 |
| 35 CONTINGENT LIABILITIES | | | | |
| Guarantees in respect of banking facilities granted to related company, Subati Limited | 57,498 | 64,594 | 57,498 | 64,594 |
| Guarantees in respect of generator imports granted to related company, Williamson power | - | - | 21,000 | 21,000 |
| | <u>57,498</u> | <u>64,594</u> | <u>78,498</u> | <u>85,594</u> |
| | ===== | ===== | ===== | ===== |

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

Currency risk

The group is exposed to the risk that the value of the financial instruments will fluctuate due to changes in foreign exchange rates. The group manages this risk by borrowing in the same currency it trades in and maintaining bank accounts in the principal foreign currency from which payments are made.

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).



FOUR YEAR COMPARATIVE STATEMENT

| | | 2006 | 2005 | 2004 | 2003 |
|---------------------------------------|----------|-----------|-----------|-----------|-----------|
| Tea Production | | | | | |
| Area under tea | Hectare | 2,082 | 2,073 | 2,047 | 2,015 |
| Made tea - own | '000 Kgs | 5,436 | 6,783 | 5,938 | 5,857 |
| - Bought leaf | '000 Kgs | 3,126 | 3,603 | 1,972 | 1,419 |
| Total | '000 Kgs | 8,562 | 10,386 | 7,910 | 7,276 |
| Tea sold | '000 Kgs | 9,285 | 10,244 | 7,246 | 7,396 |
| Average price per Kg gross | Sh/Ct | 105/90 | 116/75 | 118/08 | 113/29 |
| Turnover (Sh'000) | | 985,059 | 1,198,588 | 855,610 | 837,958 |
| Profit (Sh'000) | | | | | |
| (Loss)/profit before taxation | | (86,666) | 139,754 | 123,870 | 94,884 |
| Taxation | | 28,391 | (43,182) | (41,105) | (29,632) |
| (Loss)/profit after taxation | | (58,275) | 96,572 | 82,765 | 65,252 |
| Minority interest | | 3,227 | (8,341) | (2,344) | (898) |
| Dividends | | - | (43,782) | (32,836) | (32,836) |
| Retained (loss)/profit for the year | | (55,048) | 44,449 | 47,585 | 31,518 |
| Capital employed (Sh'000) | | | | | |
| Property, plant & equipment | | 693,869 | 714,215 | 705,191 | 751,420 |
| Investments and long term receivables | | 680,832 | 646,319 | 636,484 | 623,967 |
| Current assets | | 524,531 | 654,384 | 560,769 | 503,137 |
| Biological assets | | 1,256,146 | 1,317,036 | 1,336,192 | 1,325,642 |
| Total assets | | 3,155,378 | 3,331,954 | 3,238,636 | 3,204,166 |
| Financed by (Sh'000) | | | | | |
| Share capital | | 43,782 | 43,782 | 43,782 | 43,782 |
| Reserves | | 2,192,435 | 2,291,265 | 2,235,870 | 2,188,285 |
| Shareholders' funds | | 2,236,217 | 2,335,047 | 2,279,652 | 2,232,067 |
| Minority interest | | 82,043 | 87,295 | 80,304 | 78,766 |
| Medium term borrowings | | 44,447 | 19,110 | 45,195 | 58,565 |
| Non current liabilities | | 113,949 | 118,261 | 90,327 | 83,597 |
| Current liabilities | | 165,857 | 223,816 | 180,090 | 194,935 |
| Deferred income taxes | | 512,865 | 548,425 | 563,068 | 556,236 |
| | | 3,155,378 | 3,331,954 | 3,238,636 | 3,204,166 |
| (Loss)/earnings per share | Cents | (629) | 1,008 | 918 | 738 |
| Dividend per share | % | 10 | 100 | 75 | 75 |
| Dividend per share | Cents | 50 | 500 | 375 | 375 |
| Dividend cover | Times | - | 2.02 | 2.45 | 1.97 |
| Exchange Rates | US \$ | 71.90 | 75.00 | 76.40 | 79.00 |
| | UK £ | 125.40 | 141.00 | 142.07 | 120.90 |



PROXY FORM FOR ANNUAL GENERAL MEETING

THE SECRETARY,
WILLIAMSON TEA KENYA LTD,
1st FLOOR, WILLIAMSON HOUSE,
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 20th July, 2006 and at any adjournment thereof.

Dated this day of 2006

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.

