Williamson Tea

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2007

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NOTICE OF THE MEETING

NOTICE IS HEREBY GIVEN that the Fifty Seventh ANNUAL GENERAL MEETING of the Shareholders will be held at the Nairobi Club, Ngong Road, on Thursday 26 July 2007 at 2.15 p.m. for the following purposes.

1. To receive and adopt the report of the Directors together with the audited financial statements for the year ended March 2007.

2. To declare a dividend.

3. To elect Directors:

   Mr. P Magor and Mr. E N K Wanjama retire by rotation and being eligible offer themselves for re-election.

4. To approve the remuneration of the Directors.

5. To authorize the Directors to agree the remuneration of the Auditors.

6. To transact such other competent business as may be brought before the meeting.

BY ORDER OF THE BOARD

M M WACHIRA
SECRETARY

20th June, 2007

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

WILLIAMSON TEA KENYA LIMITED

Incorporated 15 December 1952

COMPANY INFORMATION

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

DIRECTORS AND PROFESSIONAL ADVISERS

DIRECTORS	N G Sandys-Lumsdaine* - Chairman S C A Koech P Magor* E N K Wanjama D B White A S Marsh* * British
SECRETARY	M. M. Wachira Certified Public Secretary (Kenya) P O Box 42281 – 00100, Nairobi
REGISTERED OFFICE	1st 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

Williamson Tea

FINANCIAL HIGHLIGHTS

		2007	2006	2005	2004	2003
Tea Production						
Area under tea	Hectare	2,089	2,082	2,073	2,047	2,015
Made tea - own	'000 Kgs	6,665	5,436	6,783	5,938	5,857
- Bought leaf	'000 Kg s	3,374	3,126	3,603	1,972	1,419
Total	'000 Kgs	10,039	8,562	10,386	7,910	7,276
Tea sold	'000 Kgs	9,085	9,285	10,244	7,246	7,396
Average price per Kg gross Sh/Ct		132/08	105/90	116/75	118/08	113/29
Turnover (Sh'000)		1,206,528	985,059	1,198,588	855,610	837,958
Profit (Sh'000)						
Profit/(loss)before taxation		214,067	(86,666)	139,754	123,870	94,884
Taxation		(71,233)	28,391	(43,182)	(41,105)	(29,632
Profit/(loss) after taxation		142,834	(58,275)	96,572	82,765	65,252
Minority interest		(3,163)	3,227	(8,341)	(2,344)	(898)
Dividends		-	-	(43,782)	(32,836)	(32,836)
Retained profit/(loss) for the year		139,671	(55,048)	44,449	47,585	31,518
Capital employed (Sh'000)						
Property, plant & equipment		960,450	693,869	714,215	705,191	751,420
Investments and long term receivables		773,777	680,832	646,319	636,484	623,967
Current assets		774,134	523,947	654,384	560,769	503,137
Biological assets		1,246,488	1,256,146	1,317,036	1,336,192	1,325,642
Total assets		3,754,849	3,154,794	3,331,954	3,238,636	3,204,166
Financed by (Sh'000)						
Share capital		43,782	43,782	43,782	43,782	43,782
Reserves		2,531,594	2,192,435	2,291,265	2,235,870	2,188,285
Shareholders' funds		2,575,376	2,236,217	2335,047	2,279,652	2,232,067
Minority interest		91,979	82,043	87,295	80,304	78,766
Medium term borrowings		41,163	44,447	19,110	45,195	58,565
Non current liabilities		122,454	113,949	118,261	90,327	83,597
Current liabilities		296,256	165,273	223,816	180,090	194,935
Deferred income taxes		627,621	512,865	548,425	563,068	556,236
		3,754,849	3,154,794	3,331,954	3,238,636	3,204,166
Earnings/(loss) per share	Cents	1,595	(629)	1,008	918	738
Dividend per share	%	100	10	100	75	75
Dividend per share	Cents	500	50	500	375	375
Dividend cover	Times	2.02	-	2.02	2.45	1.97
Exchange Rates	US $	68.40	71.90	75.00	76.40	79.00

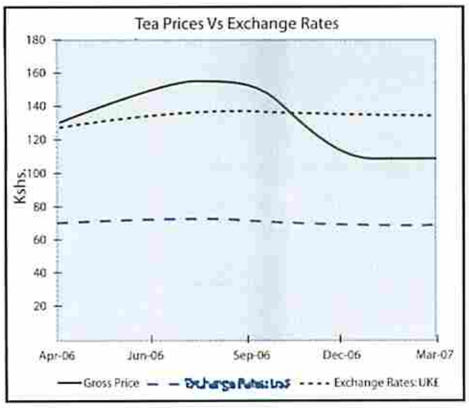
Williamson Tea

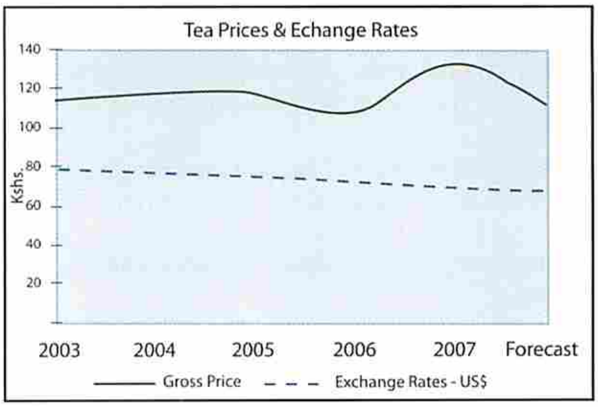
CHAIRMAN'S STATEMENT

RESULTS

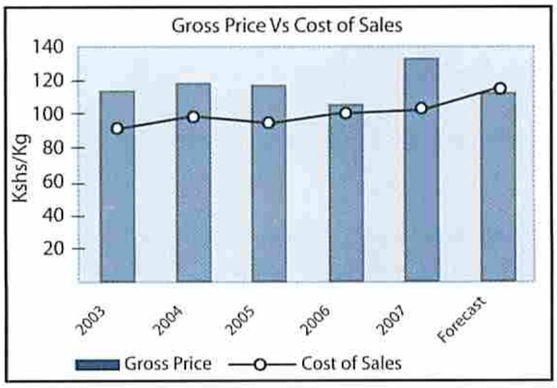
I am pleased to advise that the Group recorded a Profit after Tax from its operating activities of Kshs 162.6 million in 2006/7 against a loss last year of Kshs 1.9 million. These favorable results arise from improved prices in the early part of the year together with a higher factory production of 10 million kilos of Made Tea. Both the Property and Generator divisions contributed a total of Kshs 70 million to the operating profits which included a revaluation surplus of Kshs 39.5 Million on the residential Properties.

The improved average tea sale realizations in the first half of our financial year were due to a much lower tea supply after the significant drought experienced in the first few months of the calendar year. Unfortunately the second half of our financial year saw tea sale realizations suffer a steady decline as world tea stocks improved to remove the temporary shortage as well as the very adverse effect of the strong Kenya Shilling. The majority of our tea is sold into the export markets either directly or via the Mombasa Auction and is therefore very vulnerable to currency fluctuations.





Although sales margins improved with the better prices than last year, the cost of production also went up due to wage increases, higher bought green leaf prices and rising costs of a number of other inputs. The wage increase negotiated through the Collective Bargaining Agreement was finalized at 16% spread over two years.



The Biological Assets represented by the tea and fuel plantations reduced by a further Kshs 9.million compared to the substantial reduction of Kshs 60 million last year, due to the increasing costs of production. In determining the fair value of Biological Assets, the group uses the present value of expected cash flows from Asset discounted at the current market determined pre tax rate in line with the International Accounting Standards.

DIVIDEND

In view of the improved results the Directors are recommending a first and final Dividend payment of Kshs 5 per share or 100% Dividend payout.

CROP

During the year, the Group Companies manufactured a total of 10 Million kilos of Made Tea with strong support from the outgrowers. Investment by the Group into the manufacturing capacity of the factories and associated infrastructure has been essential to cope with the additional crop.

However recent events in some of the localities have greatly increased the pressure on the Group to maintain its outgrowers and a number of initiatives are currently under review.

During the year, the Farms harvested some areas of its standing timber which made a further contribution to the Group's profits. The Farms carry out regular assessments of its timber stocks and the timber market to ensure that harvesting of timber is operated in a sustainable manner.

ASSETS

During the year the Group carried out a revaluation of its Property, Plant and Equipment with revaluation gains in excess of Kshs 258 million together with the gains on the Investment Properties of Kshs 39.5 million. The increase relates to the five years since the time of the last revaluation.

During the year, the purchase of an additional Farm, previously an out grower was completed at a total cost of Kshs 57 million which is a strategic investment in support to our factory production capacity.

In addition the Group has re-invested substantial sums over the years as part of its general modernization programme detailed below.

- Trials in tea and fuel timber species selection to enhance yields and quality.
- Mechanization of field operations to enhance productivity and assist in supervision.
- Mechanization of factory operations to enhance quality.
- Outsourcing of non key operations, which also assists with local employment.

CORPORATE SOCIAL RESPONSIBILITY

For the second year running, the Group Companies have at some expense maintained their Fair Trade accreditation. The aim is to benefit our employees and the communities they support with a social premium paid directly to them by the consumer in some retail markets around the world.

The Group is currently training its employees in the procedures required for ISO 22000 certification which will also incorporate HACCP certification.

We also have further certificates of compliance from the Ethical Tea Partnership from the United Kingdom, confirming the high standards of our operating procedures and corporate social responsibility.

We currently give high priority to the welfare of our employees and consistently invest in areas which directly benefit them.The average number of permanent and seasonal employees exceeded 4,900 with over 15,000 of their dependants who also benefit from the social and welfare amenities provided.

During the year, the Company spent over Kshs 59 million on employee pensions, gratuities, leave and medical expenses over and above employee's direct wages. Capital projects specifically relating to employees welfare cost the company over Kshs 6 million.

The Company further provides extensive medical services to the employees with 5 Health Clinics and actively participates in the Nandi Hills Doctors' scheme including visiting Doctor Services and HIV/AIDs prevention programmes. Through Kenya Tea Growers Association the Group continues to support the running and development of various sponsored Primary and Secondary Schools in Kericho and Nandi. We continue to operate 4 Primary Schools and 1 Secondary School together with bursary schemes for bright students proceeding to Secondary education.

CHAIRMAN'S STATEMENT (Continued)

During the year the Group remitted to the Exchequer Kshs 13, 900,000 in Taxes and paid local Cesses totaling Kshs 10,800,000 (2006 - 10,730,000) to the Tea Board of Kenya to be disbursed to the County Council and Tea Roads Cess Committee for maintenance of roads tea districts.

ENVIRONMENT

For many years the Company has been in the forefront with its various projects to protect the environment and ensure energy conservation as detailed below:

- Establishment of wetlands to control and negate factory effluent.
- Recycling of water used within the manufacture of Made Tea.
- Re-forestation and participation in national forestation exercises especially in the Nandi District.
- Construction and maintenance of dams and water supply reservoirs.
- Safe and proper disposal of plastics and non degradable waste materials.
- Pesticide free cultivation practices.

PROSPECTS

Whilst the year under review has yielded positive results the prospects for the immediate future look very much less promising with very low world tea prices and a very strong Kenya Shilling.

We continue to assess where we can reduce our operational costs to improve sale margins.

APPRECIATION

In conclusion, I would like to thank all the Farms management, staff and employees under the leadership of three General Managers Messr. Samuel Thumbi, Tom Lloyd and John Kosgei at Changoi, Tinderet and Kaimosi respectively for their efforts during the year. My thanks also go to the Nairobi and Williamson Power staff together with technical team of Mr. Solomon Koech, the Visiting Agent and Mr. Zabron Mugo the Group Engineer for their support during the year.

I would also like to thank my fellow Directors for the time they spend at Board Meetings and visiting our different Farms. Their business experience and advice is always most valuable.

NIGEL SANDYS-LUMSDAINE
Chairman.

22nd June 2007

Williamson Tea

NAKALA YA MWENYEKITI

MATOKEO

Nina furaha kuwajulisha ya kwamba Kundi liliandikisha faida baada ya kulipa ushuru kutokana na uendeshaji shughuli.Ilikuwa ya shillingi million 162.6 mwaka huu wa 2006/2007 ikilinganishwa na hasara mwaka uliopita ya shillingi millioni 1.9 Haya matokeo ya kufaa yalisababishwa na kuimarika kwa bei ya majani chai hapo mwanzoni wa mwaka na pia mazao yaliyozalishwa viwandani ya kilo million kumi. Rasilmali ya kampuni pamoja na kazi za huandisi zilichangia faida ya shillingi million 70 pakiwemo shillingi million 39.5 zilizotokana na kukadirishwa kwa thamani ya rasilmali za makao.

Bei ya majani chai iliyoimarika mnamo mwanzo wa mwaka ilisababishwa na upungufu wa mazao ya viwango vya chini kufuatia ukame mapema mwaka uliopita. Kwa bahati mbaya nusu ya pili ya mwaka bei pia iliendelea kupungua zaidi kufuatia kuimarika kwa viwango vya mazao ulimuenguni pamoja na kuimarika kwa thamani ya shillingi ya Kenya. Chai yetu nyingi inauzua kwa masoko ya nchi za nje na kupitia mnada wa soko ya Mombasa na kukosa kuwa na uthabiti kutokana na kubadilika mara kwa mara kwa fedha za kigeni.

Hata ingawa mauzo yaliimarika kufuatia bei bora ikilinganishwa na mwaka uliopita, gharama ya kuzalisha chai pia ilipanda juu hasa kufuatia ongezeko la mishahara, bei ya majani iliyonunuliwa kutoka kwa wakulima wa nje pamoja na gharama zingine nyingi. Ongezeko la mishahara kufuatia yale mapatano ya chama cha wafanyi kazi na kile cha uajiri walikupaliana kwamba mwaka huu mishahara itaongezwa tena kwa asilimia kumi na sita yaani 16% ambayo itatawanyua kwa miaka miwili.

Rasilimali inayowakilishwa na mashamba ya majani chai pamoja na miti ya kuni ilipungua kwa zaidi ya shillingi millioni tisa ikilinganishwa na ule upungufu mkubwa wa mwaka uliopita wa shillingi millioni sitini.Hii ni kufuatia kuongezeka gharama ya kuzalisha majani chai. Kwa kuafikia thamana iliyokubalika ya uhai wa mimea kundi linatumia thamana ya wakati huu wa pesa zinazotarajiwa kutokana na bei ya soko na pia kwa kuzingatia ushuru utakaolipua kulingana na pendekezo la kanuni za hasibu wa kimataifa ulimwenguni.

MGAO

Kufuatia matokeo haya wakurugenzi wenu wamependekeza mgao wa kwanza na mwisho wa shilling tano kwa kila hisa moja au gawio la ailimia mia moja yaani 100%.

ZAO

Mwaka huu kampuni ilizalisha jumla ya kilo millioni kumi ikiwa ni pamoja na mchango mkubwa kutoka kwa wakulima wa nje.Kampuni imetumia fedha kwa kuongezea nafasi ya kuzalisha mazao kwa viwanda pamoja na kuongeza sehemu zingine muhimu ilikukabiliana na ongezeko kubwa la mazao. Hata hivyo matukio mbali mbali ya kijirani yalichangia kuwepo gandamizo kubwa kwa kampuni kutokana na kuhifadhi wakulima wa nje na kampuni inaendelea kuvumbua njia mbali mbali za kukabiliana na hayo matukio.

Mwaka huu Mashamba yalivuna miti ya mbao ambayo ilichangia faidha iliyopatikana kwa kikundi.Mashamba ya miti hukaguliwa kabla ya miti ya mbao kuvunua na kuuzua.Masoko pia yanachunguzua mara kwa mara ilikuhakikisha ya kwamba uvunaji na mauzo hutekelezua kwa njia iliyofaa.

MALI

Mwaka huu kampuni ilikadirisha thamani ya rasilmali ambapo faida inayozidi shillingi millioni 258 ilipatikana hii ni pamoja na faida nyingine ya rasilimali iliyowekua ya shillingi millioni 39.5 Nyongeza hii ni ya miaka tano tangu rasilimali ilipokadirishwa.

Mwaka huu Shamba lingine lilinunuliwa kutoka kwa mukulima wa nje kuwa shillingi million 57 hili shirikisho katika kampuni itangia ongezeko la mazao huku kiwandani. Pamoja na hayo kundi limeshirikisha fedha zaidi kwa ajili ya mradi ya kugeuza vipya kama ilivyosimuliwa hapa jini:

- Majaribio ya michai na miti ya kuni ilikuongeza mazao na ubora wa uzalishaji.
- Maarifa ya kutumia nguvu za mashine kwa mashamba ilikuongeza mazao

- Maarifa ya kutumia nguvu za mashine viwandani ilikuongeza ubora wa mazao
- Kukodisha zile kazi ambayo sio ya muhimu kwa kendesha kazi zetu.Hii imechangia kuongezeka kwa uajiri hapa njini.

MAMBO YA JAMII

Kwa mwaka wa pili mufululizo makampuni ya kikundi kwa gharamu imeifadhi kubaliano la Fair Trade linalo pasha heshima kwamba kundi linazingatia mambo ja wafanyi kazi na yale ya jamii kwa jumla. Fair Trade hulipa pesa ya ziada zinazotoka kwa wanunuzi wa masoko ya nchi za nje ilikuchangia mambo ya wafanyi kazi na yale ya kijamii kote kwa kundi. Wafanyi kazi hivi sasa wanafunzwa kuhusu ISO 22000 ambayo inazingatia pia uthibitisho wa mambo ya HACCP inahusu kuzingati afya bora wakati wa kuzalisha chakula ndani na nje ya viwandani.

Tunaendelea kuhifadhi vyeti vya mkatapa na mapendekezo ya "Tea sourcing partnership" ya uingereza. Hii inathibitisha kwamba hali kwa juu na ubora kwa jinsi tunavyotengeza chai na pia vile tunazingatia usalama wa wafanyi kazi wetu pamoja na jamii yetu imetekelezwa.

Tunaendelea kuzingatia umuhimu na ubora wa wafanyi kazi wetu na tunaendelea kugharamia sehemu nyingi na rasilmali kwa manufaa yao binafsi.

Kuna wafanyi kazi wa kudumu na vibarua wanozidi 4900 na zaidi ya watu 15,000 wanaotegemea kote kundini ambao pia hufaidika kutokana na mambo ya kijamii tunayogharamia.

Mwaka huu kampuni ilitumia shillingi millioni 59 kwa wafanyi kasi kulipia penseni,likizo na matibabu hii ni gharama ya ziada ambayo ni tofauti na ile gharama ya mishahara waliolipua. Rasilmali ya miradi inayohusu wafanyi kazi iligharimu shillingi millioni sita.

Kampuni inatoa huduma ya matibabu kwa wafanyi kazi na kuna vituo 5 vya afya.Kampuni pia inashughurikia azimio la madaktari wa Nandi Hills ambayo ni pamoja na kutembelewa wagonjwa na huduma za kuzuia ukimwi. Kupitia hali mashauri ya Kenya Tea Growers Association kundi linaendelea uendeshaji wa mashule ya msingi na upili kule Kericho na Nandi. Tunaendelea kuendesha shule 4 za msingi na 1 ya upili. Wanafunzi wale werefu kutoka shule za msingi huzaidiwa na fedha hilikwendelea na masomo ya juu katika shule za upili.

Wakati wa mwaka kundi lililipa kode kwa serikali kuu ya shillingi 13,900,000.00 na kodi ya mabarasa ya wilaya ya shillingi 10,800,000.00 (2006- 10,730,000.00) kupitia Tea Board of Kenya kuajili ya ukarabati wa bara bara wilayani.

MAZINGIRA

Kwa miaka mingi kampuni imekuwambele kwa kuzingatia mradi ya kulinda mazingira na kuhakikisha miti ya kuni imeifadhiwa bora kama ilivyo ilivyosimuliwa hapa jini:

- Kuwepo kwa sehemu chemichemi hili kusuhia maji machafu ya viwanda.
- Kuendesha kwa hali ya kusafisha maji machafu ya viwanda ili kutumika tena.
- Upandaji tena misitu kuambatana na mwitu wa taifa wa serikali kule wilayani Nandi
- Kuchimba na kujenga maboma ya kuzuia maji na vizuzi vingine vya maji
- Kukinga na kuzuia kutupa taka ya plastiki ovyo ovyo.
- Kukuza na kuzalisha bila kutumia madawa ya kuua wadudu.

MTAZAMO

Mwaka huu tulipata matokeo yakuridhisha lakini matazamio ya siku za usoni ni ya matumaini duni kuani bei ya chai kwa masoko ya kitaifa ni ya jini mno na pia shillingini ya Kenya inaendelea kuimarika. Tutaendelea kuchunguza ni wapi tutapunguza gharama hili kusitawisha mapato kutoka kwa mauzo ya majani chai.

SHUKRANI

Kuakumalizia ningependa kushukuru mameneja wote wa Mashamba, wafanyi kazi wote wanao ongozua na Bwana Samuel Thumbi, Tom Lloyd na John Kosgei wakiwa Changoi, Tinderet na Kaimosi kwa kujitolea kwao mwaka huu. Pia ninashukuru wafanyi kazi wa ofisi ya Nairobi na ile ya Uhandisi pamoja na Bwana Solomon Koech mkurugenzi wa ustadi na Bwana Zabron Mugo mhandisi kwa kujitolea kwao kwa kazi ya ustadi mwaka huu.

Pia ningependa kuwashukuru Wakurugenzi wenzangu kwa kuhudhuria mikutano ya Bodi na vile vile kwa kutembelea mashamba yote mwaka huu. Maarifa yao na ujuzi wa kibiashara walionao ni wa thamani kwa kikundi.

NIGEL SANDYS-LUMSDAINE

Mwenyekiti

22nd June 2007

Williamson Tea

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 four meetings. Except for direction and guidance on general policy, the Board has delegated authority for conduct of the day-to-day business to the Chairman 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 three 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 2007 the top 10 major shareholders were as follows;

	Name	Location	No of Shares	%
1.	Ngong Tea Holdings Limited	London	4,506,164	51.50
2.	Upstream Investments Limited	Nairobi	324,673	3.70
3.	Kirtesh P. Shah	Nairobi	191,221	2.20
4.	Barclays (Kenya) Nominees Ltd A/c 9223 N/R	Nairobi	175,700	2.00
5.	Barclays (Kenya) Nominees Ltd A/c 9230	Nairobi	115,792	1.30
6.	Old Mutual Life Assurance Co. Ltd	Nairobi	112,444	1.30
7.	Kenya Commercial Bank Staff Pension	Nairobi	112,011	1.30
8.	Satchu Aly-Khan	Nairobi	103,800	1.20
9.	Barclays (Kenya) Nominees Ltd A/c 1256	Nairobi	100,000	1.10
10.	The Heritage AII Insurance Co. Ltd.	Nairobi	87,800	1.00

Analysis of Shareholders

By region:

	Number	Shares held	%
Foreign investors	57	4,918,203	56.20
Local & East Africa investors (Individuals)	1018	1,914,285	21.80
Local & East Africa investors (Institutional)	170	1,923,832	22.00
	1,245	8,756,320	100.00

By shares distribution:

	Number	Shares held	%
Less than 500	522	140,418	1.60
500-10,000	666	1,440,975	16.40
10,001- 100,000	49	1,536,122	17.60
100,001-1,000,000	7	1,132,641	12.90
Above 1,000,000	1	4,506,164	51.50
	1,245	8,756,320	100.00

Williamson Tea

REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements of the group for the year ended 31 March 2007.

ACTIVITIES

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

GROUP RESULTS

	Sh'000
Profit before taxation	214,067
Taxation	(71,233)
Profit after taxation	142,834
Minority interest	(3,163)
Profit for the year	139,671

DIVIDENDS

The directors recommend the payment of a first and final dividend of Sh 5 per share, totalling Sh 43,782,000 in respect of the year.

DIRECTORS

The current board of directors is shown on page 3.

In accordance with the articles of association Mr. P Magor and E N K Wanjama retire by rotation and being eligible offer themselves 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

20th June 2007

Williamson Tea

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 of 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 that 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 are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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 of 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.

N.G. SANDYS-LUMSDAINE
Director

D. B. WHITE
Director

22nd June 2007

Williamson Tea

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF WILLIAMSON TEA KENYA LIMITED

We have audited the financial statements of Williamson Tea Kenya Limited and its subsidiaries set out on pages 8 to 40 which comprise the consolidated and company balance sheets as at 31 March 2007, and the consolidated income statement, consolidated and company statements of changes in equity and consolidated cash flow statement for the year then ended, together with the summary of significant accounting policies and other explanatory notes, 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

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the provisions of the Kenyan Companies Act. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances. Our responsibility is to express an opinion on these 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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment and include an assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we considered internal controls relevant to the group's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial statements.

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 of group at 31 March 2007 and of the profit and cash flows of the group for the year then ended in accordance with International Financial Reporting Standards and comply with the Kenyan Companies Act.

DELOITTE & TOUCHE
Certified Public Accountants (Kenya)

24th June 2007

Williamson Tea

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2007

	Note	2007 Sh'000	2006 Sh'000
REVENUE FROM SALE OF TEA	3(b)	1,206,528	985,059
FAIR VALUE LOSS ON BIOLOGICAL ASSETS	17	(36,851)	(77,712)
OPERATING INCOME		1,169,677	907,347
COST OF SALES		(932,757)	(942,285)
GROSS PROFIT/(LOSS)		236,920	(34,938)
OTHER OPERATING INCOME		174,778	164,491
DISTRIBUTION COSTS		(82,208)	(79,689)
ADMINISTRATIVE EXPENSES		(113,527)	(117,487)
OPERATING PROFIT/(LOSS)	4	215,963	(67,623)
NET FINANCE COSTS	6	(2,709)	(13,036)
SHARE OF RESULTS OF ASSOCIATE COMPANIES	14	813	(6,007)
PROFIT/(LOSS) BEFORE TAXATION		214,067	(86,666)
TAXATION (CHARGE)/CREDIT	7	(71,233)	28,391
PROFIT/(LOSS)AFTER TAXATION	8	142,834	(58,275)
MINORITY INTEREST	26	(3,163)	3,227
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS		139,671	(55,048)
COMPRISING:			
PROFIT/(LOSS) ARISING FROM OPERATING ACTIVITIES		162,617	(1,893)
LOSS ARISING FROM CHANGES IN FAIR VALUE OF BIOLOGICAL ASSETS (NET OF ATTRIBUTABLE TAXATION)		(22,946)	(53,155)
PROFIT/(LOSS) FOR THE YEAR		139,671	(55,048)
EARNINGS/(LOSS) PER SHARE - Basic and diluted	9	Sh 15.95	Sh (6.29)
DIVIDENDS PER SHARE	10	Sh 5	Sh 0.50

Williamson Tea

CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2007

	Note	2007 Sh'000	2006 Sh'000
ASSETS			
Non current assets			
Property, plant and equipment	11	960,450	693,869
Prepaid operating leases	12	77,298	45,981
Investment properties	13	394,500	355,000
Investment in associate companies	14	300,630	278,502
Other investments	16	1,349	1,349
Biological assets	17	1,246,488	1,256,146
		2,980,715	2,630,847
Current assets			
Inventories	18	215,479	100,316
Trade and other receivables	19	301,821	234,110
Due from associate companies	20	24,547	24,511
Taxation recoverable	7(c)	8,702	15,957
Short term deposits	23	59,935	25,000
Cash and bank balances		163,650	124,053
		774,134	523,947
Total assets		3,754,849	3,154,794
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	25	43,782	43,782
Revaluation surplus		338,323	163,996
Revenue reserve		2,193,271	2,028,439
Equity attributable to equity holders of parent company		2,575,376	2,236,217
Minority interest	26	91,979	82,043
Total equity		2,667,355	2,318,260
Non current liabilities			
Deferred income taxes	27	627,621	512,865
Service gratuity	28	122,454	113,949
Borrowings	29	12,655	-
		762,730	626,814
Current liabilities			
Trade and other payables	30	269,583	154,389
Taxation payable	7(c)	23,120	8,691
Borrowings	29	28,508	44,447
Unclaimed dividends	31	3,553	2,193
		324,764	209,720
Total equity and liabilities		3,754,849	3,154,794

The financial statements on pages 16 to 48 were approved by the board of directors on 22nd June 2007 and were signed on its behalf by:

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

Williamson Tea

COMPANY BALANCE SHEET
AS AT 31 MARCH 2007

	Note	2007 Sh'000	2006 Sh'000
ASSETS			
Non current assets			
Property, plant and equipment	11	456,401	350,008
Prepaid operating leases	12	11,838	11,851
Investment properties	13	394,500	355,000
Investment in associate companies	14	79,837	79,837
Investment in subsidiary companies	15	109,877	109,877
Other investments	16	546	546
Biological assets	17	556,674	555,236
		1,609,673	1,462,355
Current assets			
Inventories	18	69,447	36,538
Trade and other receivables	19	114,634	109,224
Due from associate companies	20	20,588	19,652
Due from subsidiary companies	21	59,980	31,961
Loans to subsidiary companies	22	7,500	14,612
Tax recoverable	7(c)	-	1,640
Short term deposits	23	59,935	25,000
Cash and bank balances		82,140	80,107
		414,224	318,734
Total assets		2,023,897	1,781,089
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	25	43,782	43,782
Revaluation surplus		175,776	98,490
Revenue reserve		1,286,167	1,177,171
Shareholders' funds		1,505,725	1,319,443
Non current liabilities			
Deferred income taxes	27	312,882	251,341
Service gratuity	28	67,616	67,077
Borrowings	29	2,109	-
		382,607	318,418
Current liabilities			
Trade and other payables	30	87,465	53,931
Due to subsidiary companies	21	26,647	66,132
Taxation payable	7(c)	16,634	8,691
Borrowings	29	1,266	12,281
Unclaimed dividends	31	3,553	2,193
		135,565	143,228
Total equity and liabilities		2,023,897	1,781,089

The financial statements on pages 16 to 48 were approved by the board of directors on 22nd June 2007 and were signed on its behalf by:

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

Williamson Tea

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2007

	Share capital	Revenue Reserve: Revaluation surplus	Revenue Reserve: Biological gains(losses)	Revenue Reserve: Other	Total	Equity attributable to equity holders of the parent	Minority	Total
	Sh'000	Sh'000	Sh'000	Sh'000	Sh'000	Sh '000	Sh'000	
At 1 April 2005	43,782	180,083	615,698	1,495,484	2,111,182	2,335,047	87,295	2,422,342
Surplus realised on disposal of revalued assets	-	(620)	-	620	620	-	-	-
Excess depreciation transfe	-	(20,754)	-	20,754	20,754	-	-	-
Deferred tax on excess depreciati	-	5,287	-	(5,287)	(5,287)	-	-	-
Loss for the year	-	-	(53,155)	(1,893)	(55,048)	(55,048)	(3,227)	(58,275)
Dividends paid - 2005	-	-	-	(43,782)	(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
At 1 April 2006	43,782	163,996	562,543	1,465,896	2,028,439	2,236,217	82,043	2,318,260
Revaluation surplus	-	257,997	-	-	-	257,997	9,869	267,866
Deferred tax on revaluation surplus (note 27)	-	(77,400)	-	-	-	(77,400)	(2,961)	(80,361)
Share of associate revaluation surplus	-	-	-	23,269	23,269	23,269	-	23,269
Surplus realised on disposal of revalued assets	-	(449)	-	449		-	-	449
Excess depreciation transfer	-	(11,618)	-	11,618	11,618	-	-	-
Deferred tax on excess depreciation	-	5,797	-	(5,797)	(5,797)	-	-	-
Profit for the year	-	-	(25,796)	165,467	139,671	139,671	3,163	142,834
Dividends paid - 2006	-	-	-	(4,378)	(4,378)	(4,378)	(135)	(4,513)
At 31 March 2007	43,782	338,323	536,747	1,656,524	2,193,271	2,575,376	91,979	2,667,355

The revaluation surplus is not distributable and represents the surplus arising from the revaluation of property, plant and equipment.
The revenue reserve on biological assets represents surplus arising from fair valuation of biological assets in line with IAS 41 on Agriculture.
The other revenue reserve represents profit from the normal operations of the group.

Williamson Tea

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2007

	Share Capital	Revaluation surplus	Revenue reserve			Total
			Biological assets	Other	Total	
	Sh'000	Sh'000	Sh'000	Sh'000	Sh'000	Sh '000
At 1 April 2005	43,782	106,203	288,393	942,489	1,230,882	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)	-
Loss for the year	-	-	(50,342)	32,700	(17,642)	(17,642)
Dividend paid - 2005	-	-	-	(43,782)	(43,782)	(43,782)
At 31 March 2006	43,782	98,490	238,051	939,120	1,177,171	1,319,443
At 1 April 2006	43,782	98,490	238,051	939,120	1,177,171	1,319,443
Revaluation surplus	-	119,606	-	-	-	119,606
Deferred tax on revaluation surplus (note 27)	-	(35,882)	-	-	-	(35,882)
Excess depreciation transfer	-	(9,197)	-	9,197	9,197	-
Deferred tax on excess depreciation	-	2,759	-	(2,759)	(2,759)	-
Profit for the year	-	-	487	106,449	106,936	106,936
Dividends paid - 2006	-	-	-	(4,378)	(4,378)	(4,378)
At 31 March 2007	43,782	175,776	238,538	1,047,629	1,286,167	1,505,725

The revaluation surplus is not distributable and represents the surplus arising from the revaluation of property, plant and equipment.
The revenue reserve on biological assets represents surplus arising from fair valuation of biological assets in line with IAS 41 on Agriculture
The other revenue represents profit from the normal operations of the Company..

Williamson Tea

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2007

	Note	2007 Sh'000	2006 Sh'000
OPERATING ACTIVITIES			
Cash generated from operations	32(a)	220,191	133,054
Interest received	6	2,825	5,447
Interest paid	6	(4,468)	(4,198)
Taxation paid	7(c)	(13,974)	(37,384)
Net cash generated from operating activities		204,574	96,919
INVESTING ACTIVITIES			
Expenditure on biological assets		(27,193)	(11,572)
Purchase of plant and equipment	11	(62,185)	(55,030)
Purchase of Zinga farm by Tea Properties Limited		(37,004)	-
Additions to other investments		-	(40)
Proceeds from disposal of plant and equipment		2,221	6,717
Dividend received - from associated company	14	774	7,737
- other	6	1,446	1,500
Proceeds from redemption of investment in unit trusts		-	15,000
Net cash used in investing activities		(121,941)	(35,688)
FINANCING ACTIVITIES			
Loans received	32(b)	18,585	-
Loans repaid	32(b)	(17,768)	(27,743)
Finance lease repayments		-	(142)
Dividends paid to shareholders	31	(3,018)	(43,955)
Dividends paid to minority interest	26	(135)	(2,025)
Net cash used in financing activities		(2,336)	(73,865)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		80,297	(12,634)
CASH AND CASH EQUIVALENTS AT 1 APRIL		122,374	135,008
CASH AND CASH EQUIVALENTS AT 31 MARCH	32(c)	202,671	122,374

Williamson Tea

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2007

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

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

- IFRS 7 on Financial Instruments Disclosures
- IFRS 8 on Operating Segments
- IFRIC 8 - Scope of IFRS 2
- IFRIC 9 Reassessment of Embedded Derivatives
- FRIC 10 Interim Financial Reporting and Impairment

The adoption of these Standards and Interpretations, 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 15, and include the group's share of the results of the associate companies as disclosed in note 14, 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 subsidiary companies in the company's books are carried at cost less provision for impairment.

Investments in associate 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 14.

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

1 ACCOUNTING POLICIES (continued)

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 17.

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 2007.

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.

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%
Tractors and accessories	10.-.25%
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.

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 group and is funded by contributions from both the group 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.

1 ACCOUNTING POLICIES (continued)

Financial instruments (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.

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 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 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 amounts of cash and are subject to an insignificant risk of changes in value.

1 ACCOUNTING POLICIES (continued)

Dividends

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established. 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).

Comparatives

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

2 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 17.

Property, plant and equipment

Critical estimates are made by directors in determining the useful lives and residual values to property, plant and equipment based on the intended use of the assets and the economic lives of those assets. Subsequent changes in circumstances or prospective utilisation of the assets concerned could result in the actual useful lives or residual values differing from initial estimates.

2. SEGMENTAL INFORMATION

(a) Primary reporting format - Business segments

	Tea Sh'000	Generator Property Sh'000	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	2,744,408	355,000	55,386	3,154,794
Segment liabilities	820,035	-	16,499	836,534
Depreciation	65,514	-	1,719	67,233
Capital expenditure	53,151	-	1,879	55,030
	=======	=======	=======	=======
2007				
Revenue	1,206,528	31,193	76,618	1,314,339
Other incomes	27,467	39,500	-	66,967
Operating profit	145,624	64,166	6,173	215,963
Group's share of associated companies' results	(367)	-	-	(367)
Segment assets	3,303,199	394,500	57,150	3,754,849
Segment liabilities	1,073,700	-	13,794	1,087,494
Depreciation	67,814	-	1,307	69,121
Capital expenditure	61,961	-	224	62,185
	=======	=======	=======	=======

(b) Secondary reporting - geographical segments

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

	2007 Sh'000	2006 Sh'000
Offshore	1,050,876	807,567
Kenya	155,652	177,492
	1,206,528	985,059
	=======	======

Williamson Tea

		2007 Sh'000	2006 Sh'000
4	OPERATING PROFIT/(LOSS)		
	The operating profit/(loss) is arrived at after charging:		
	Amortisation	83	51
	Depreciation	69,121	67,233
	Directors' remuneration:		
	Fees	583	750
	Other emoluments	10,408	10,094
	Staff costs (Note 5)	414,079	356,330
	Auditors' remuneration	4,491	4,308
	and after crediting:		
	Operating lease rental income	31,193	31,337
	Fair value of agricultural produce harvested during the year	385,746	172,382
	Profit on disposal of property plant and equipment	372	3,824
	Gain on valuation of investment property	39,500	46,852
5	STAFF COSTS		
	Wages and salaries	355,366	303,985
	Social security costs (NSSF)	11,219	9,375
	Pension costs (defined contribution plan)	2,842	2,792
	Service gratuity and other terminal benefits	21,092	10,965
	Leave pay provision	7,067	7,045
	Medical expenses	16,493	22,168
		414,079	356,330
	The average number of staff employed by the group during the year was as follows:	Number	Number
	Permanent	3,692	3,751
	Seasonal	1,285	1,131
		4,977	4,882
		Sh'000	Sh'000
6	NET FINANCE COSTS		
	Interest expense:		
	- bank overdrafts	(2,950)	(1,344)
	- bank loans	(1,351)	(2,046)
	- group loans	(167)	(392)
	- finance leases	-	(416)
		(4,468)	(4,198)
	Interest income on short term deposits	2,825	5,447
	Dividend income	1,446	1,500
	Net foreign exchange losses	(2,512)	(15,785)
		(2,709)	(13,036)

Williamson Tea

		2007 Sh'000	2006 Sh'000
7	TAXATION		
(a)	TAX CHARGE		
	Current taxation based on the adjusted profit at 30%		
	-current year	37,931	8,585
	-prior year	(2,273)	-
		35,658	8,585
	Deferred tax charge/(credit)-note 27	34,395	(35,560)
		70,053	(26,975)
	Share of associated company's taxation:		
	Current taxation	3,276	-
	Deferred tax credit	(2,096)	(1,416)
		1,180	(1,416)
		71,233	(28,391)

(b) RECONCILIATION OF EXPECTED TAX BASED ON ACCOUNTING PROFIT/(LOSS) TO TAX EXPENSE

	2007 Sh'000	2006 Sh'000
Accounting profit/(loss) before taxation	214,067	(86,666)
Tax at the applicable rate of 30%	64,220	(26,100)
Tax effect of expenses not deductible for tax purposes	27,406	8,369
Tax effect of income not taxable	(18,120)	(10,660)
Prior year over provision of tax	(2,273)	-
	71,233	(28,391)

7 TAXATION (Continued)

	GROUP		COMPANY	
	2007 Sh'000	2006 Sh'000	2007 Sh'000	2006 Sh'000
(c) TAX MOVEMENT				
At beginning of the year:				
Payable	8,691	22,252	8,691	15,707
Recoverable	(15,957)	(719)	(1,640)	-
	(7,266)	21,533	7,051	15,707
Taxation charge	35,658	8,585	20,492	6,410
Taxation paid	(13,974)	(37,384)	(10,909)	(15,066)
At end of the year Net tax payable/(recoverable)	14,418	(7,266)	16,634	7,051
Comprising:				
Payable	23,120	8,691	16,634	8,691
Recoverable	(8,702)	(15,957)	-	(1,640)
	14,418	(7,266)	16,634	7,051

8 PROFIT AFTER TAXATION - COMPANY

A profit after taxation of Sh 106,936,000 (2006 - loss of Sh 17,642,000) has been dealt with in the financial statements of Williamson Tea Kenya Limited.

9 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.

	2007	2006
Earnings		
Earnings/(loss) for purposes of basic and diluted earnings per share (Sh'000)	139,671	(55,048)
Number of shares		
Number of ordinary shares (thousands)	8,756	8,756
Earnings/(loss) per share		
Basic (Sh) and diluted (Sh)	15.95	(6.29)

There were no potentially dilutive shares outstanding at 31 March 2007 or 31 March 2006.

10 PROPOSED DIVIDEND

In respect of the current year, the directors propose that a dividend of Sh 5 per share (2006 - Sh 0.50 per share) amounting to a total of Sh 43,782,000 (2006 - Sh 4,378,200) will be paid to shareholders. This dividend is subject to approval by shareholders at the Annual General Meeting to be held on 26 July 2007 and has not been included as a liability in these financial statements.

11 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 VALUATION								
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
At 1 April 2006	539,821	316,849	81,647	47,143	19,652	21,174	9,231	1,035,517
Additions	10,527	30,066	108	1,261	499	2,768	16,956	62,185
Additions on acquisition of farm	7,500	-	-	-	-	-	-	7,500
Disposals	(1,790)	(357)	(2,867)	(2,746)	-	-	-	(7,760)
Revaluation	32,259	(31,788)	-	-	-	-	-	471
Reclassification	17,982	638	-	-	-	50	(18,670)	-
At 31 March 2007	606,299	315,408	78,888	45,658	20,151	23,992	7,517	1,097,913
Comprising:								
At Valuation 2007	606,299	315,408	-	-	-	-	-	921,707
At Cost	-	-	78,888	45,658	20,151	23,992	7,517	176,206
	606,299	315,408	78,888	45,658	20,151	23,992	7,517	1,097,913

11 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	fittings Sh'000	Office equipment, furniture & Computers Sh'000	Work in progress Sh'000	Total
DEPRECIATION								
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
Eiminated 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
At 1 April 2006	120,956	92,719	61,629	36,331	13,784	16,229	-	341,648
Charge for the year	30,893	23,896	4,501	5,877	1,270	2,684	-	69,121
Eliminated on disposal	(703)	(366)	(2,867)	(1,975)	-	-	-	(5,911)
Write back on revaluation	(151,146)	(116,249)	-	-	-	-	-	(267,395)
At 31 March 2007	-	-	63,263	40,233	15,054	18,913	-	137,463
NET BOOK VALUE								
At 31 March 2007	606,299	315,408	15,625	5,425	5,097	5,079	7,517	960,450
At 31 March 2006	418,865	224,130	20,018	10,812	5,868	4,945	9,231	693,869
NET BOOK VALUE (Cost basis)								
At 31 March 2007	230,159	180,095	15,625	5,425	5,097	5,079	7,517	448,997
At 31 March 2006	215,785	177,077	20,016	12,369	5,714	4,945	9,231	445,137

Land, building and machinery were last revalued as at 31 March 2007 by Lloyd Masika Limited, registered valuers and estate agents on the basis of open market value for the existing use

Included in property, plant and equipment are assets with an original cost of Sh 75,702,000 (2006 - Sh 94,722,000) which are fully depreciated and whose normal depreciation charge for the year would have been Sh 16,548,000 (2006 -Sh 22,563,000).

Land and buildings with net book value of Sh 606,299,000 (2006 - Sh 418,865,000) have been charged to secure banking facilities granted to the group as disclosed in note 29.

11 PROPERTY, PLANT AND EQUIPMENT

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 2005	290,173	126,559	35,344	.4,915	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	-	-	-	-	-	382,756
At Cost	15,684	29,203	35,186	13,669	9,045	11,109	1,179	115,075
	295,249	132,394	35,186	13,669	9,045	11,109	1,179	497,831
At 1 April 2006	295,249	132,394	35,186	13,669	9,045	11,109	1,179	497,831
Additions	3,384	7,265	99	-	442	1,531	6,322	19,043
Disposals	-	-	(1,447)	(1,540)	-	-	-	(2,987)
Revaluation	20,017	(21,915)	-	-	-	-	-	(1,898)
Reclassification	1,179	-	-	-	-	-	(1,179)	-
At 31 March 2007	319,829	117,744	33,838	12,129	9,487	12,640	6,322	511,989
Comprising:								
At Valuation 2007	319,829	117,744	-	-	-	-	-	437,573
At Cost	-	-	33,838	12,129	9,487	12,640	6,322	74,416
	319,829	117,744	33,838	12,129	9,487	12,640	6,322	511,989

11 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
DEPRECIATION								
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
At 1 April 2006	60,225	35,361	25,934	10,322	6,550	9,431	-	147,823
Charge for the year	16,043	9,875	2,268	1,542	440	1,318	-	31,486
Eliminated on disposal	-	-	(1,447)	(770)		-	-	(2,217)
Write back on revaluation	(76,268)	(45,236)	-	-	-	-	-	(121,504)
At 31 March 2007	-	-	26,755	11,094	6,990	10,749	-	55,588
NET BOOK VALUE								
At 31 March 2007	319,829	117,744	7,083	1,035	2,497	1,891	6,322	456,401
At 31 March 2006	235,024	97,033	9,252	3,347	2,495	1,678	1,179	350,008
NET BOOK VALUE (Cost basis)								
At 31 March 2007	118,254	74,550	7,083	1,035	2,497	1,891	6,322	211,632
At 31 March 2006	124,810	73,612	9,254	3,347	2,495	1,678	1,179	216,375

Land, buildings and machinery were revalued as at 31 March 2007 by Lloyd Masika Limited, registered valuers and estate agents.

Included in property, plant and equipment are assets with an original cost of Sh 42,640,000 (2006 - Sh 44,461,000) which are fully depreciated and whose normal depreciation charge for the year would have been Sh 9,051,000 (2006 - Sh 13,776,000)

Land, buildings and development with net book value of Sh 319,829,000 (2006 - Sh 235,024,000) have been charged to secure banking facilities granted to the company as disclosed in note 29.

12 PREPAID OPERATING LEASES

COST	GROUP Leasehold land Sh'000	COMPANY Leasehold land Sh'000
At 1 April 2006	50,181	12,613
Addition on acquisition of farm	31,400	-
	81,581	12,613
AMORTISATION		
As 1 April 2006	4,200	762
Amortisation for the year	83	13
At 31 March 2007	4,283	775
NET BOOK VALUE		
At 31 March 2007	77,298	11,838
At 31 March 2006	45,981	11,851

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

13 INVESTMENT PROPERTIES

	GROUP & COMPANY 2007 Sh'000	2006 Sh'000
At fair value:		
At 1 April	355,000	308,148
Gain in market value	39,500	46,852
At 31 March	394,500	355,000
COST	182,233	182,233

The investment properties were revalued as at 31 March 2007 by Lloyd Masika Limited, Registered Valuers and Estate Agents on an open market value basis.

		2007 Sh'000	2006 Sh'000
14	INVESTMENT IN ASSOCIATE COMPANIES		
	GROUP		
	Kapchorua Tea Company Limited (Quoted) - 39.56% owned: At share of net assets (market value - Sh 173,351,000 2006 - Sh 232,166,000)	281,132	259,003
	Williamson Developments Limited (Unquoted) - 50% Share of net assets	19,498	19,499
		300,630	278,502
	COMPANY		
	Kapchorua Tea Company Limited (Quoted); 39.56% owned: At cost - (market value - Sh 173,351,000 2006 - Sh 232,166,000)	49,479	49,479
	Williamson Developments Limited (Unquoted) - 50% owned at cost	30,358	30,358
		79,837	79,837
	The movement in Group investment in associated companies is as follows:		
	At 1 April	278,502	290,830
	Share of profit/(loss) before taxation	813	(6,007)
	Share of tax	(1,180)	1,416
	Share of revaluation surplus	23,269	-
	Dividend received	(774)	(7,737)
	At 31 March	300,630	278,502

The details of the above subsidiary companies are as follows:

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

	2007 Sh'000	2006 Sh'000
15 INVESTMENT IN SUBSIDIARY COMPANIES		
(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	-	-
	6,554	6,554
(b) Unquoted investment at cost in Partly owned subsidiaries		
Tinderet Tea Estates (1989) Limited (82% owned)	103,323	103,323
	109,877	109,877

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	Investment & Letting of Property
Lelsa Tea Estates Limited	4,000,000	Kenya	Dormant company.
Tinderet Tea Estates (1989) Limited	100,000	Kenya	Cultivation, manufacture and sale of tea.

	2007 Sh'000	2006 Sh'000
16 OTHER INVESTMENTS		
Available for sale		
Unquoted investments at cost		
Group		
134,900 Shares (2006 - 134,900) shares of Sh 10 each in Kenya Tea Packers Limited	1,349	1,349
Company		
54,600 Shares (2006 - 54,600) shares of Sh 10 each in Kenya Tea Packers Limited	546	546

17 BIOLOGICAL ASSETS

GROUP

	Tea bushes Sh '000	Timber Trees Sh '000	Fuel Trees Sh '000	Total 2007 Sh '000	Total 2006 Sh '000
Carrying amount at 1 April 2006	968,355	159,746	128,045	1,256,146	1,317,036
Expenditure on biological assets	27,144	975	1,844	29,963	11,819
Transfer from property, plant & equipment	-	-	-	-	5,250
Decrease due to harvest	-	(228)	(2,542)	(2,770)	(247)
	995,499	160,493	127,347	1,283,339	1,333,858
(Loss)/gains arising from changes in fair value attributable to physical changes	(11,834)	9,317	(4,097)	(6,614)	(77,540)
Loss arising from changes in fair value attributable to price changes	(30,237)	-	-	(30,237)	(172)
Net fair value (loss)/gain	(42,071)	9,317	(4,097)	(36,851)	(77,712)
Carrying amount at 31 March 2007	953,428	169,810	123,250	1,246,488	1,256,146

COMPANY

	Tea bushes Sh '000	Timber Trees Sh '000	Fuel Trees Sh '000	Total 2007 Sh '000	Total 2006 Sh '000
Carrying amounts:					
At 1 April 2006	436,000	51,872	67,364	555,236	627,649
Expenditure on biological assets	1,135	564	115	1,814	903
Decrease due to harvest	-	(23)	(1,048)	(1,071)	(1,398)
	437,135	52,413	66,431	555,979	627,154
(Loss)/gain arising from changes in fair value attributable to physical changes	(3,098)	2,855	(5,735)	(5,978)	(10,833)
Gain/(loss) arising from changes in fair value attributable to price changes	6,673	-	-	6,673	(61,085)
Net fair value gain/(loss)	3,575	2,855	(5,735)	695	(71,918)
Carrying amount at 31 March 2007	440,710	55,268	60,696	556,674	555,236

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	
		2007	2006	2007	2006
		Sh'000	Sh'000	Sh'000	Sh'000
18	INVENTORIES				
	Tea stocks	156,488	54,141	52,660	23,201
	Firewood	3,237	4,969	752	1,409
	Stores	53,793	39,879	16,035	11,928
	Generators	1,642	802	-	-
	Work in progress	164	105	-	-
	Goods in transit	155	420	-	-
		215,479	100,316	69,447	36,538
19	TRADE AND OTHER RECEIVABLES				
	Trade	219,974	128,589	77,406	28,153
	Staff	19,103	25,553	10,236	17,538
	VAT receivable	31,265	16,036	18,154	18,927
	Loans to directors	970	2,222	970	2,222
	Other	30,509	61,710	7,868	42,384
		301,821	234,110	114,634	109,224

The loans to directors are interest free and repayable within a year.

		GROUP 2007 Sh'000	GROUP 2006 Sh'000	COMPANY 2007 Sh'000	COMPANY 2006 Sh'000
20	DUE FROM ASSOCIATE COMPANIES				
	Kapchorua Tea Company Limited	20,246	16,942	16,287	15,370
	Williamson Development Limited	4,301	7,569	4,301	4,282
		24,547	24,511	20,588	19,652

		2007 Sh'000	2006 Sh'000
21	DUE FROM SUBSIDIARY COMPANIES		
	COMPANY		
	Kaimosi Tea Estates Limited	38,606	16,083
	Williamson Power Limited	2,271	1,296
	Tinderet Tea Estates (1989) Limited	19,103	14,582
		59,980	31,961
	DUE TO SUBSIDIARY COMPANIES		
	COMPANY		
	Tea Properties Limited	26,647	66,132
22	LOANS TO SUBSIDIARY COMPANIES		
	Kaimosi Tea Estate Limited	7,500	9,612
	Tinderet Tea Estates (1989) Limited	-	5,000
		7,500	14,612

The loans to subsidiary companies are unsecured and mature within one year. The effective interest rate on the loans as at 31 March 2007 was 6.92% (2006 - 6.75%).

		GROUP		COMPANY	
		2007 Sh'000	2006 Sh'000	2007 Sh'000	2006 Sh'000
23	SHORT TERM DEPOSITS				
	NIC Bank Limited	41,935	25,000	41,935	25,000
	Bank of Africa Limited	5,000	-	5,000	-
	Commercial Bank of Africa	13,000	-	13,000	-
		59,935	25,000	59,935	25,000

The effective interest rate on short term deposits as at 31 March 2007 was 6.5% (2006 - 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 are at arm's length and in the normal course of business.

During the year, the following transactions were entered into with related parties:

	2007 Sh'000	2006 Sh'000
Sales through a related party (Williamson Tea Holdings Limited - parent)	1,060,539	807,578
Technical support (Williamson Tea Holdings Limited - parent)	13,559	13,633
Agency commission and charges received (Kapchorua Tea Company Limited - associate)	23,728	17,908
Licence fees (George Williamson & Company Limited)	13,559	13,633

Loan from parent company

The group received a loan of GBP 200,000 during the financial year ended 31 March 2007 for purchase of factory machinery from Williamson Tea Holdings Limited, the ultimate holding company. The loan is repayable in eight quarterly instalments with a one year moratorium granted on both principal and interest. The interest rate on the loan is LIBOR plus 1.5 %. The balance outstanding on the shareholder loan at 31 March 2007 is disclosed in note 29.

	2007 Sh'000	2006 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	56,549	52,353
Fees and allowances for services as directors	583	750
	57,132	53,103

25 SHARE CAPITAL

	2007 Sh'000	2006 Sh'000
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

	2007 Sh'000	2006 Sh'000
As 1 April	82,043	87,295
Share of profit/(loss)	3,163	(3,227)
Dividend paid	(135)	(2,025)
Share of revaluation surplus net of deferred tax	6,908	-
At 31 March	91,979	82,043
Represented by:		
Holding in Tinderet Tea Estates (1989) Limited	18%	18%

27 DEFERRED INCOME TAXES

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

	GROUP		COMPANY	
	2007	2006	2007	2006
	Sh'000	Sh'000	Sh'000	Sh'000
The net deferred taxation liability is attributable to the following items:				
Deferred tax liabilities:				
Accelerated capital allowances	219,012	198,706	95,952	95,138
Revaluation of investment property	66,521	51,830	66,521	51,830
Revaluation surplus	159,609	84,736	68,993	35,143
Fair value adjustments - biological assets	231,565	242,620	102,231	102,022
Fair value adjustments - inventories	1,827	430	1,681	1,550
	678,534	578,322	335,378	285,683
Deferred tax assets:				
Unrealised exchange gains	(38)	(463)	(159)	(52)
Service gratuity provision	(36,735)	(34,185)	(20,284)	(20,123)
Leave pay provision	(4,223)	(3,141)	(1,794)	(1,902)
Inventories general provision	(580)	(436)	(259)	(354)
Tax losses	(9,337)	(27,232)	-	(11,911)
	(50,913)	(65,457)	(22,496)	(34,342)
Net deferred tax liability	627,621	512,865	312,882	251,341

The movement on the deferred tax account is as follows:

	GROUP		COMPANY	
	2007	2006	2007	2006
	Sh'000	Sh'000	Sh'000	Sh'000
At 1 April	512,865	548,425	251,341	272,523
Income statement tax charge/(credit) (note 7a)	34,395	(35,560)	25,659	(21,182)
Deferred tax on revaluation surplus charged directly to equity	80,361	-	35,882	-
At 31 March	627,621	512,865	312,882	251,341

NOTES TO THE FINANCIAL STATEMENTS (Continued)

		GROUP		COMPANY	
		2007	2006	2007	2006
		Sh'000	Sh'000	Sh'000	Sh'000
28	SERVICE GRATUITY				
	At 1 April	113,949	118,261	67,077	67,608
	Provision during the year	21,592	8,394	8,766	4,786
	Payments in the year	(13,087)	(12,706)	(8,227)	(5,317)
	At 31 March	122,454	113,949	67,616	67,077
29	BORROWINGS				
a)	**Loans**				
	Bank overdraft	20,914	26,679	-	6,011
	Bank loans	-	11,498	-	-
	Shareholder loan	20,249	6,270	3,375	6,270
		41,163	44,447	3,375	12,281
	The borrowings are repayable as follows:				
	On demand and within one year	28,508	44,447	1,266	12,281
	In the second to fifth year	12,655	-	2,109	-
		41,163	44,447	3,375	12,281

Analysis of borrowings by currency

Group

	Borrowings In USD Sh'000	Borrowings In GBP Sh'000	Total Sh'000
2007			
Bank overdrafts	20,914	-	20,914
Shareholder loan	-	20,249	20,249
	20,914	20,249	41,163
2006			
Bank overdrafts	26,679	-	26,679
Bank loans	11,498	-	11,498
Shareholder loan	-	6,270	6,270
	38,177	6,270	44,447

Company

	Borrowings In USD Sh'000	Borrowings In GBP Sh'000	Total Sh'000
2007			
Shareholder loan	-	3,375	3,375
2006			
Bank loans	6,011	-	6,011
Shareholder loan	-	6,270	6,270
	6,011	6,270	12,281

b) Interest rates

The average interest rates paid by the group were as follows:	2007	2006
Bank loans	-	8.76%
Share holder loan - GBP	Libor+1.5%	5.66%
Bank overdraft - KES	13.75%	13.75%
Bank overdraft - USD	6.82%	7.50%
	====	====

c) Details of securities for loans and bank overdrafts

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

Group

1. Joint and several debenture between Kaimosi Tea Estates Limited, Williamson Tea Kenya Limited, Tea Properties Limited, Changoi and Lelsa to Barclays Bank of Kenya Limited stamped and registered to cover sh 104 million.

2. Legal mortgage over LR nos. 1892, 1893, 1894, 1895, 1896 and 1899 (Kaimosi Tea Estates) registered and stamped to cover sh 104 million supplemental to the debenture.

3. A fixed and floating debenture over all the assets of Tinderet Tea Estates (1989) Limited for sh 94 million and a legal charge over the company's property in Tinderet (LR 11490) for sh 94 million.

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.

The Shareholder's loan is unsecured and repayable in two years.

Company

1. Joint and several debenture between Kaimosi Tea Estates Limited, Williamson Tea Kenya Limited, Tea Properties Limited and Lelsa to Barclays Bank of Kenya Limited stamped and registered to cover sh 104 million.

2. All assets debenture supported by a collateral charge over LR 11297 (Changoi Estate) Kericho to Standard Chartered Bank Kenya Limited registered to cover sh 84 million.

d) Undrawn facilities

The group had undrawn committed borrowing facilities amounting to sh 119,250,000 (2006 - sh 119,299,000). The borrowing facilities consist of loans, bank overdrafts, letters of credit and guarantees.

	GROUP		COMPANY	
	2007	2006	2007	2006
	Sh'000	Sh'000	Sh'000	Sh'000
30 TRADE AND OTHER PAYABLES				
Trade payables	33,143	30,094	10,445	6,625
Green leaf provision	104,554	56,158	19,150	11,918
Leave provision	14,076	10,470	5,979	6,340
Accruals and other payables	117,810	57,667	51,891	29,048
	269,583	154,389	87,465	53,931

31 UNCLAIMED DIVIDENDS

GROUP & COMPANY

	2007 Sh'000	2006 Sh'000
At beginning of the year	2,193	2,366
Declared and paid in the year	4,378	43,782
Dividends claimed	(3,018)	(43,955)
At end of year	3,553	2,193

32 NOTES TO THE CASH FLOW STATEMENT

GROUP

(a) Reconciliation of operating profit/(loss) to cash generated from operations

	2007 Sh'000	2006 Sh'000
Operating profit/(loss)	214,067	(67,623)
Adjustments for:		
Depreciation	69,121	67,233
Amortisation	83	51
(Profit)/loss on disposal of plant and equipment	(372)	(3,824)
Exchange differences	(848)	(14,449)
Fair value adjustment on biological assets	36,851	77,712
Fair value gain on investment property	(39,500)	(46,852)
Operating profit before working capital changes	279,402	12,248
(Increase)/decrease in inventories	(115,163)	82,862
(Increase)/ decrease in trade and other receivables	(67,711)	80,550
Increase/(decrease) in trade and other payables	115,194	(19,579)
Movement in associate companies balances	(36)	(18,715)
Increase/(decrease) in service gratuity	8,505	(4,312)
Cash generated from operations	220,191	133,054

32 NOTES TO THE CASH FLOW STATEMENT(Continued)

	2007 Sh'000	2006 Sh'000
(b) Analysis of changes in loans		
At 1 April	17,768	44,175
Loans received	18,585	-
Loans repaid	(17,768)	(27,743)
Exchange loss	1,664	1,336
At 31 March	20,249	17,768
(c) Analysis of cash and cash equivalents		
Short term deposits	59,935	25,000
Cash and bank balances	163,650	124,053
Bank overdrafts	(20,914)	(26,679)
At 31 March	202,671	122,374

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.

	GROUP		COMPANY	
	2007 Sh'000	2006 Sh'000	2007 Sh'000	2006 Sh'000
33 CAPITAL COMMITMENTS				
Authorised but not contracted for	185,866	62,426	29,656	31,871
Authorised and contracted for	-	31,473	-	25,491
	185,866	93,899	29,656	57,362

The company intends to finance these commitments from internally generated funds and from the asset financing from the banks.

34 OPERATING LEASE COMMITMENTS

The group as a lessor

Property rental income earned during the year amounted to Sh 31,193,307 (2006 - Sh 30,380,479). At the balance sheet date, the group had contracted with tenants for the following future lease receivables.

	2007 Sh'000	2006 Sh'000
Within one year	29,590	30,074
In the second to fifth years inclusive	75,329	76,286
	104,919	106,360

Leases are negotiated for an average term of two years for residential properties and six 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	
	2007	2006	2007	2006
	Sh'000	Sh'000	Sh'000	Sh'000
35 CONTINGENT LIABILITIES				
Guarantees in respect of banking facilities granted to related company, Subati Limited	73,413	57,498	73,413	57,498
Guarantees in respect of generator imports granted to a subsidiary company, Williamson Power Limited	-	-	-	5,122
	73,413	57,498	73,413	62,620

Williamson Tea Holdings Limited has guaranteed Williamson Tea Kenya Limited in respect of the guarantee to Subati Limited.
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 in the opinion of the directors, the company has no liability.

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

39 CURRENCY

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