



**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010**

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NOTICE OF THE MEETING

NOTICE IS HEREBY GIVEN that the Sixtieth ANNUAL GENERAL MEETING of the Shareholders will be held at the Nairobi Club, Ngong Road, on Tuesday 17 August 2010 at 2.30 p.m for the following purposes.

- 1 To read the Auditors Report on the financial statements for the year ended 31 March 2010.
- 2 To receive and adopt the report of the Directors together with the audited financial statements for the year ended 31 March 2010.
- 3 To declare a dividend.
- 4 To elect Directors:

P Magor and E N K Wanjama retire by rotation and being eligible offer themselves for re-election.
- 5 To approve the remuneration of the Directors.
- 6 To authorize the Directors to reappoint/appoint the Auditors and agree their remuneration.
- 7 To transact such other business as may be brought before the meeting.

BY ORDER OF THE BOARD

G K. MASAKI
SECRETARY
Thursday, June 24, 2010

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

CORPORATE 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
Lelsa Tea Estates Limited – DORMANT

Other:

Williamson Developments Limited – (50%) owned) – PROPERTY MANAGEMENT

DIRECTORS AND PROFESSIONAL ADVISERS

DIRECTORS

N G Sandys-Lumsdaine* – Chairman
A L Carmichael* – Managing Director
S C A Koech
P Magor*
E N K Wanjama
D B White
A S Marsh *

* British

SECRETARY

G. K Masaki
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)
Deloitte Place, Waiyaki Way, Muthangari, 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



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FINANCIAL HIGHLIGHTS

		2010	2009	2008	2007	2006
Tea Production						
Area under tea	Hectare	2,181	2,144	2,144	2,089	2,082
Made tea - own	'000 Kgs	7,501	6,420	5,256	6,665	5,436
- Bought leaf	'000 Kgs	7,140	3,646	3,129	3,374	3,126
Total	'000 Kgs	14,641	10,066	8,385	10,039	8,562
Tea sold	'000 Kgs	13,954	9,382	9,215	9,085	9,285
Average price per Kg gross Sh/Ct		190/33	148/34	117/74	132/08	105/90
Turnover (Sh'000)		2,723,187	1,489,982	1,185,755	1,206,528	985,059
Profit (Sh'000)						
Profit/(loss) before taxation		1,223,281	145,341	(143,984)	214,067	(86,666)
Taxation (charge)/credit		(347,226)	(35,471)	46,467	(71,233)	28,391
Profit/(loss) after taxation		876,055	109,870	(97,517)	142,834	(58,275)
Attributable to:						
Non - Controlling interest		31,758	(631)	(10,780)	3,163	(3,227)
Equity holders of the parent		844,297	110,501	(86,737)	139,671	(55,048)
Retained profit/(loss) for the year		876,055	109,870	(97,517)	142,834	(58,275)
Capital employed (Sh'000)						
Property, plant & equipment		950,501	1,004,372	998,978	960,450	693,869
Investments and long term receivables		820,627	771,451	738,340	773,777	680,832
Current assets		1,929,587	915,042	602,701	774,134	523,947
Biological assets		1,627,991	1,230,300	1,240,306	1,246,488	1,256,146
Total assets		5,328,706	3,921,165	3,580,325	3,754,849	3,154,794
Financed by (Sh'000)						
Share capital		43,782	43,782	43,782	43,782	43,782
Reserves		3,316,470	2,507,198	2,401,075	2,531,594	2,192,435
Equity holders of parent company		3,360,252	2,550,980	2,444,857	2,575,376	2,236,217
Non – controlling interest		110,229	78,471	79,237	91,979	82,043
Medium and short term borrowings		124,811	208,572	123,622	41,163	44,447
Non current liabilities		123,098	106,868	122,497	122,454	113,949
Other current liabilities		872,780	389,147	221,997	296,256	165,273
Deferred income taxes		737,536	587,127	588,115	627,621	512,865
		5,328,706	3,921,165	3,580,325	3,754,849	3,154,794
Earnings/(loss) per share	Sh	96.42	12.62	(9.91)	15.96	(6.29)
Dividend per share	%	125	80	10	100	10
Dividend per share	Sh	6.25	4.00	0.50	5.00	0.50
Dividend cover	Times	15.43	3.15	-	3.19	-
Closing exchange Rates	US \$	77.30	80.45	62.80	68.40	71.90
	UK £	116.58	115.12	125.21	134.99	125.40



CHAIRMAN'S STATEMENT

Results

I am pleased to report that the group recorded a profit of KShs 587.3 million resulting from its operating activities.

The year under review saw very favourable weather conditions and a minor El Nino return to Western Kenya. Our positive results were further assisted by strengthening relationships with local green leaf farmers and communities. We have a successful outreach program that includes plant subsidies for communities that are most in need. Our mention last year of the apparent marginal shift in world tea's supply and demand equation has proved to be prescient and strong global demand for much of the year has culminated in the results you see before you. Markets are now sliding and we anticipate that in the forthcoming year we will have many challenges to be faced. One very good year of high crops and high prices is most unlikely to be followed directly by another year of the same. Either climatic conditions or market forces change. We are a farming concern and therefore face the challenges of a business that is subject to increasingly erratic rainfall patterns.

We have serviced our customers well with many large buyers commending us for our quality and service. This strong performance plus the investment in Rainforest Alliance and Fairtrade accreditation increases demand for our teas. In January of this year we won the Africa tea producer award from Sainsbury Supermarket in the United Kingdom. This is a highly prestigious award, won as a result of being Sainsbury's largest tea supplier. In addition we have further expanded our product base and continue to sell our core CTC teas alongside Orthodox, green and other speciality teas to all parts of the world.

We are continuing to invest in plant and machinery, both in our factories and in the field. Considerable work has gone into managing our automated tea harvesting. Our workforce has been trained and we have significantly improved the quality of leaf harvested to the mutual benefit of ourselves and our customers. Automating green leaf harvesting enables us to increase productivity, save some costs and comply with the technology and industrialization targets and aspirations set out by the government in Vision 2030. In understanding this advantage our outgrower farmers have expressed a desire to modernize and automate their own leaf harvesting. The larger land owners amongst them have already commenced automation, with others keen to establish groups and cooperatives in order to optimize their returns per acre.

At the time of writing we have still to conclude a Collective Bargaining Agreement with our Union partners. The Industry, and your company, already pay wage rates that are more than double those set out in the Employment Act. When welfare benefits are added to these wage rates the resultant costs place Kenya at risk of becoming uncompetitive in the global market with an average cost some two times that in North India, and more than three times those that exist in Malawi.

The cost of our essential inputs, particularly electricity, fertilizers and labour costs have again risen. To remain competitive we therefore need to work hard to control our costs whilst maintaining the quality of tea and service efficiency that provide the results we all wish to see.

The cost of conducting business in Kenya is increasing exponentially as new and more complicated demands and licences are forced upon us. The Fairtrade mark is a universal sign that welfare, environmental and professional practices are being conducted to meet world standards. The Fairtrade accreditation might therefore exclude the necessity and cost of duplication associated with inferior standards already covered under the Fairtrade audit. In addition to Corporation tax we face NEMA, WRMA, KEBS, this is in effect double taxation. Council taxes have increased with no accountability to the services that are provided. Amendments to the Tea Act are proposed and we should remind those that seek change that on the 28th May 2010 the Daily Nation Leader article wrote "Safaricom have made us aware that attempts at political meddling in any business enterprise are bound to be counter productive." We continue in our efforts to engage with the government in order for our concerns to be properly expressed.

(Situation may change)

At the time of writing we await the results of the referendum on the draft constitution. We should advise that in the event of a "yes" vote the presence of one or more shareholder who is not a citizen renders existing freehold titles and 999 year leases being withdrawn by the government and replaced by 99 year leases. No provision has yet been made for compensation and no facility for compensation in the event of a possible drop in asset value.



CHAIRMAN'S STATEMENT (Continued)

Dividends

In view of the favourable results, the Directors are recommending a first and final Dividend payment of KShs 6.25 per share or 125% Dividend.

Crop

During the year, the Group manufactured a total of 14.6 million kilos of Made Tea compared to 10.1 million kilos manufactured last year due to continued strong support from our small tea growers.

Tea Market

The gross average tea price increased to KShs 190.33 per kilo from last year's gross average of KShs 148.34. This was mainly due to the decreased supply of Tea from other tea growing countries and a weaker Kenya Shilling. The exchange rate closed at KShs 77.30 to the Dollar compared to last year's closing rate of KShs 80.45.

Corporate Social Responsibility

The group continues to embrace Social enhancing ethics, food safety standards and sustainable agricultural practices. The group is still certified by Fair Trade, ISO 2200:2005 and Rainforest Alliance.

Various outgrower cooperatives have shown interest in being accredited to Fairtrade. This will serve to further benefit the local communities that surround our Farms. Our investment in Fairtrade has already provided schools, school equipment, skills, bursaries, improved medical facilities, solar lighting and micro financing all of which has a direct benefit to the Farm workers and local communities. Our ability to continue to sell into fair-trade outlets has released over KShs 75 million to workers and communities.

We continue to plan for the future and to investigate renewable energy sources and ways to reduce our own carbon footprint. The carbon industry is still in its infancy. We continue to investigate ways of how best to advantage the company. We will assess our existing footprint before exploring methods of reducing this and establishing sustainable innovations that will benefit the environment and the Company.

Health and Education

The Group continues to provide 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. Contribution has also been given in the form of equipments to neighbouring Hospitals which treat some of our Workers and the surrounding Communities.

Through the 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 several creches, 4 Primary Schools and 1 Secondary School together with bursary schemes for gifted students proceeding to Secondary education.

Welfare

The number of permanent and seasonal employees exceeded 4,130 with over 20,500 of their dependents who also benefit from the social and welfare amenities provided.

During the year, the Group spent over KShs 79 million on employees' pension, gratuities, leave and medical expenses over and above employees' direct wages. In addition, the Group incurred in excess of KShs 6 million on capital projects relating to employees welfare.

Future prospects

The Kenya Shilling has continued to be weak in the first quarter of the coming financial period exchanging at an average of KShs 79 to the Dollar. However, the tea selling prices have started declining due to the current market forces of supply and demand. Subject to the results of the referendum, unpredictable weather conditions and the factors of supply and demand, we anticipate to have a challenging year ahead in comparison to a record performance in the current financial period.



CHAIRMAN'S STATEMENT (Continued)

Appreciation

Finally, I would like to thank all our management staff, in particular Samuel Thumbi our Visiting Agent and the leadership of Ishmael Sang, Tom Lloyd and Sospeter Angira at Changoi, Kaimosi and Tinderet respectively. My thanks also go to our Nairobi Head Office staff together with the team at Williamson Power. Last but not least, I would like to thank my fellow Directors for their valuable contribution and advice.

NIGEL SANDYS-LUMSDAINE

CHAIRMAN

Thursday, June 24, 2010.





NAKALA YA MWENYEKITI

Matokeo

Ninafuraha kuwaarifu ya kwamba kundi lilipata faida ya shilingi milioni 587,3 kutokana na utendaji kazi.

Mwaka huu, kulikuwa na hali nzuri ya hewa kufuatia kurejea kwa musimu wa El nino ndogo kule mashariki mwa Kenya. Matokeo yetu mazuri yalichangiwa na uhusiano wetu mwema na wakulima wa chai pamoja na majirani wetu waliotuuza majani chai. Tuko na mradi wa kuwasaidia wale wanaohitaji mije ya kupanda. Kama tulivyowatajia mwaka uliopita, mabadiliko ya kingo katika hali ya kuwemo kwa usawa wa viwango vya mali ilithibitika na matakwa ya juu ya masoko ya ulimwengu yamesababisha matokeo bora tuliyonayo mbele yenu mwaka huu. Masoko hivi sasa yanateremuka na tunatarajia kuwa na changamoto kubwa mwaka ujao. Kuwemo kwa mazao mazuri na bei nzuri kwa mwaka mmoja sio rahisi kufuatiwa na mwaka mwingine wenye mafanikio kwani hali ya hewa na masoko hubadilika kila mara. Sisi kama wakulima tuna changamoto kubwa sana kwani biashara yetu hutegemea mvua ambayo siku hizi inageuka sana na haitabiriki.

Tumewahudumia wateja wetu vyema na wengi wao wametupongeza kwa hali yetu ya ubora wa chai na huduma yetu. Matokeo haya mema pamoja na kuelekesha fedha kwa kusajiliwa miradi ya mazingira na kijamii ya Rainforest na Fairtrade kuliongezea thamana ya chai yetu. Januari mwaka huu tulishinda tuzo la kuwa wakuzaji bora zaidi wa chai hapa Afrika kutoka kwa Kampuni ya Uingereza ya Sainsbury. Hili ni tuzo la kipekee ambalo tulishinda kwa kuwauzia chai nyingi zaidi kutoka bara la Afrika. Pamoja na hayo tumeendelea kupanua mazao yetu kwa kuendeleza kuuza chai ya kisasa na halisi, pamoja na kuuza chai zingine mbali mbali za kipekee katika nchi zingine ulimwenguni.

Tunaendelea kutumia fedha kwa kugharamia na kustawisha mitambo na viwanda vyetu na pia katika mashamba yetu. Kazi nyingi zimefanyika kwa kuendeleza teknolojia ya kuchuna chai. Wafanyikazi wetu wamefunzwa na sasa matokeo yameimarisha ubora wa chai inayochunwa kwa viwango vinavyoturidhisha sisi na wateja wetu. Teknolojia hii mpya ya uchunaji majani chai imetuwzesha kuongezea mazao na pia kupunguza gharama ya uzalizi kuambatana na sera za serikali za kutimiza lengo la kuimarisha viwanda pamoja na kutimiza njozi la nchi la mwaka 2030. Wakuzaji wetu wa nje wameelewa vyema umuhimu wa hii teknolojia ya kuchuna majani chai kwa mitambo ya kisasa. Wale wanao mshamba makubwa makubwa tayari wameanza kutumia mitambo hii ya kuchuna chai. Wengine wako tayari kujiunga na vikundi vya kishirika ili kuzalisha mazao yao kwa bei nafuu.

Wakati wa kuandika nakala hii bado hatujaafikiana kuhusu mambo ya pamoja ya mishahara kwa wafanyikazi na chama cha kutetea wafanyikazi kwa mashamba ya majani chai. Sekita ya majani chai pamoja na kampuni yenu tayari zinalipa mishahara zaidi ya marudufu kuliko zile zilizopendekezwa na sheria ya uajiri nchini. Tukiongezea gharama ya kutoa huduma ya kijamii mishahara inayolipwa inawacha nchi ya Kenya hatarini kuwa moja ya zile nchi ambazo bidhaa zake hazitakuwa zinanunuliwa kwa masoko ya nje, gharama ikiwa maradufu ikilinganishwa na nchi ya India Kaskazini na ile ya Malawi ambapo gharama ni nafuu zaidi kwa mara tatu ikilinganishwa na nchi yetu. Gharama ya vifaa kama vile umeme, mbolea na mishahara imeendelea kuongezeka. Ili tushindane sawa sawa tunahitaji kufanya bidhi kwa kupunguza gharama ilihali tunaendelea kuzalisha chai bora na ya hali ya juu zaidi pamoja na kutoa huduma ambayo itatuwezesha kupata matokeo ambayo sisi sote tunahitaji kuona.

Gharama ya kufanya biashara humu nchini Kenya inaendelea kuongezeka na kuzidi ile ya mara kwa mara kufuatia matakwa mengi ya jumla pamoja na kulimpikishiwa gharama za vyeti kadhaa vya kupata ruhusa ya kufanyia biashara. Vyeti vya Fairtrade vinatambulika ulimwenguni kote kwa kusimamia ubora wa kijamii, mambo ya mazingira pamoja na ustadi wa kutekeleza uzalizi kwa viwango vinayokubalika. Kutumia cheti cha Fairtrade kunaweza kupunguza gharama ya kuendelea kutumia vyeti ambavyo viko duni na chini ya viwango vinaokubalika ulimwenguni. Mbali na kulipa ushuru wa kila mwaka na makampuni nchini, bado tunalipa NEMA, WRMA, KEBS ambayo ni kama kulipa ushuru mara mbili. Ushuru wa mabaraza ya miji unaendelea kuongezeka hata ingawa mabaraza hayo hayatoi huduma. Sheria zinazosimamia majani chai zinapendekezwa na tunataka kukumbusha wale wanaotaka mabadiliko ya kwamba mnamo tarehe 28 Mei 2010 gazeti la Daily Nation liliandika "Safaricom imetujulisha kwamba jaribio la wana siasa kuingilia biashara yeyote ina madhara yake" Tunaendelea kuzingatia na kujadiliana na serikali ili shida zetu zieleweke vyema.

(Hali hii inaweza kubadilika)

Wakati wa kuandika nakala hii tungali tunangojea matokeo ya kura ya maoni kuhusu katiba mpya. Kama hii katiba itapita basi kuna kipenge kuhusu vyeti vya mashamba yale yanayomilikiwa kwa miaka 999, kutolewa na kubadilishwa na vyeti vya miaka 99 kama kuna mwanahisa mmoja au wawili wasio wanainchi wa Kenya. Hakuna utaratibu



NAKALA YA MWENYEKITI (Yaendelea)

umewekwa kuonyesha kama vyeti hivyo vitaondolewa kwa muda na kurudiwa tena au kama serikali italipa fidia kufuatia upungufu wa thamana ya mashamba.

Mgao

Kutokana na mtokeo bora mwaka huu, wakurugenzi wamependekezwa mgao wa kwanza na wa mwizo wa shilingi 6.25 kwa kila hisa au 125%.

Zao

Mwaka huu kundi lilitengeza kilo milioni 14.6 ya chai ikilinganishwa na kilo milioni 10.1 mwaka uliopita kutokana na mchango wa wakuzaji chai wa nje.

Soko la majani Chai

Jumla ya wastani ya bei ya majani iliongezeka hadi shilingi 190.33 kwa kila kilo ikilinganishwa na ya mwaka uliopita ya shilingi 148.34. Hii ilisababishwa na upungufu wa zao kutoka nchi zingine za nje na shilingi ya Kenya iliyopungua dhamani. Viwango vya ubadilishanaji mwishoni mwa mwaka vilikuwa shilingi 77.30 ikilinganishwa na dolla moja ya marekani. Mwaka uliopita ilikuwa shilingi 80.45 kwa kila dolla.

Uwajibikaji wa Kampuni

Kundi linaendelea na mipango ya mambo ya kijamii na kuzingatia hali bora ya uzalishaji chakula na mambo ya kilimo bora. Kundi linaithinishwa na mashirika ya Fairtrade, ISO 22000:2005 pamoja na Rainforest Alliance. Mashirika ya wakuzaji wa nje yamekuwa na hamu ya kuithinishwa na Fairtrade. Hii itasaidia mashirika pamoja na jamii jirani ambazo zinatuzunguka. Kusajiliwa kwetu na Fairtrade kumechangia kuwemo na mashule, vifaa shuleni, ustadi, misaada ya karo, kuimarisha mambo ya afya, mitambo ya sola na mashirika ya mikopo pamoja na kuwasaidia wafanyikazi na jamii jirani kwa jumla. Uwezo wetu wa kuuza chai katika Masoko ya Fairtrade umechangia kuleta mapato ya shilingi milioni 75 kwa wafanyikazi na jamii jirani.

Tunaendelea na mipango ya siku za usoni na kupeleleza jinsi ya kutumia nguvu za umeme na jinsi ya kupunguza gasi ya kaboni. Mambo ya gasi ya kaboni ndiyo yako siku za mwanzo na tunaendelea kushughulikiwa kwa kutafuta njia ya jinsi itakavyofaidi kampuni. Tutachunguza kuwemo kwa kaboni kabla ya kutafuta mbinu za kuipunguza ili kufaidi kampuni na mazingira yake.

Afya na elimu

Kampuni inatoa huduma ya matibabu kwa wafanyi kazi wote na iko na vituo vitano vya afya. Kuna shirika la Madaktari kutoka Nandi hills ambalo sisi ni wanachama wake. Pia Kuna lile kundi la madaktari wa kutoa huduma ya kutembelea wagonjwa pamoja na kuwasaidia kwa azimio la kuzuia maradhi ya Ukimwi. Mchango pia umetolewa kwa kuzinunulia hospitali za kijirani hasa zile zinazotibi wafanyi kazi wetu na jamii zinazopakana mitambo mbali mbali.

Kupitia shirika la Kenya Tea Growers Association tunaendelea kusaidia na kuendesha mashule ya kimsingi na ya upili kule Kericho na Nandi. Tunaendelea pia kuendesha shule za misingi na moja ya upili na tunasaidia kwa kugharamia karo ya wanafunzi wale werevu kutoka shule za misingi wanaostahili kuendelea na masomo kwa shule za upili.

Mambo ya Jamii

Jumla ya wafanyi kazi wakudumu na wa vibarua ilizidi 4,130 na kuna watu 20,500 wanaotegemea na waliofaika kutokana kwa uwajibikaji wa kundi.

Mwaka huu kundi liligharamia shilingi milioni 79 kwa wafanyi kazi kwa marupurupu wakati wa kustaafu, kuenda likizo pamoja na za matibabu hata baada ya kulipa wafanyi kazi mishahara. Kundi bado lilitumia shilingi milioni 6 kugharamia kazi za kijamii.



NAKALA YA MWENYEKITI (Yaendelea)

Tazamio la wakati ujao

Shilingi ya Kenya inaendelea kupunguka kwa thamana yake hasa wakati wa robo ya kwanza ya mwaka huu naa kubadilishwa kwa shilingi 79 kwa kila dola moja. Bei ya chai imeanza kupunguka kufuatia kuwemo kwa wingi wa chai masokoni na upungufu wa wateja wanaotaka kununua. Tulingojea matokeo ya kura ya maoni, pia hali ya hewa ambayo haitabiriki na mambo ya mazao na mapato ya soko, tunatarajia kuwa na mwaka wa changamoto ukilinganishwa na mwaka uliopita.

Shukrani

Mwisho ningependa kuwashukuru mameneja wetu wote hasa Bwana Samuel Thumbi ambaye anasimamia ustadi kote kundini, uongozi wa Bwana Ishmael Sang, Tom Lloyd na Sospeter Angira wakiwa kule Changoi, Tinderet na Kaimosi kikadirifu. Shukrani zangu pia ni kwa wafanyi kazi wetu wa ofisi kuu ya Nairobi pamoja na wale wa Williamson Power.

Ningependa pia kuwashukuru sana wakurugenzi wenzangu kwa mchango na ushauri wao mwema.

NIGEL SANDYS-LUMSDAINE

MWENYEKITI

Alhamisi, June 24, 2010



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 Board comprises seven directors, of which six are non-executive directors including the Chairman. The role of the Chairman and the Managing Director has been separated and the composition of the Board is compliant with good corporate governance practices. The appointment, resignation and re-election of the board is conducted in accordance with the company's Articles of Association.

The Board is responsible for formulating policies and strategies and ensuring that the business objectives, aimed at promoting and protecting the shareholder value are achieved. The Board ensures that procedures and practices are set in place to ensure effective control over strategic, financial, operational and compliance issues. The annual budgets, half year and annual accounts are also reviewed by the board to monitor operational performance. The Directors are given appropriate and timely information to enable them maintain full and effective control. 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.

The full Board meets at least once every quarter for scheduled meetings and on other occasions as required for to consider exceptional matters. A timetable of calendar dates for Board meetings to be held during the year is circulated in advance to the Board. The notice of Board meetings is distributed together with the agenda and board papers to all the Directors before hand.

The Company Secretary is always available to the Board of Directors.

Directors Emoluments and loans

The aggregate amount of emoluments paid to directors for services rendered during the financial year are disclosed in note 4 to the financial statements. There were no directors' loans at any time during the financial year.

Neither at the end of the financial year, nor at any time during the year did there exist any arrangement to which the company is a party whereby directors might acquire benefits by means of the acquisition of shares in the company.

AUDIT COMMITTEE

The audit committee was constituted by the Board in 1998 and comprises two non-executive Directors and professionals. The committee meets at least four times in the year. The responsibilities of the committee include:

- All areas of corporate governance, with specific reference to issues of risk management;
- Review of interim and annual financial statements to ensure compliance with disclosure requirements;
- Maintenance and review of Group's system of accounting and internal controls;
- Liaising with external auditors of the Group.

Every year the committee visits each of the Group's farms for a full day. In addition to this the committee held six meetings during the past year.

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.



CORPORATE GOVERNANCE (Continued)

The systems in place are designed to ensure that authority is obtained for any major transaction and that the Company complies with all Kenya Laws and Regulations, including those that govern sound financial management. Procedures are in place to ensure that all assets are subject to proper physical controls and these are professionally revalued every three years.

The company's internal auditor reviews policy, systems and procedures on a regular basis and reports to the Managing Director and the Audit Committee.

COMMUNICATION WITH SHARE HOLDERS

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

MAJOR SHAREHOLDERS AND ANALYSIS OF SHAREHOLDERS

The Group 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 2010 the top 10 major shareholders were as follows;

Name	Location	No of Shares	%
1. Ngong Tea Holdings Limited	England	4,506,164	51.46
2. Upstream Investments Limited	Nairobi	324,673	3.71
3. Kirtesh P.Shah	Nairobi	294,921	3.43
4. Barclays (Kenya) Nominees Ltd A/C 9280 Nr	Nairobi	172,700	1.97
5. ApexAfrica Investment Bank Ltd A/C 1	Nairobi	124,650	1.42
6. Satchu Aly-Khan	Nairobi	121,900	1.39
7. Barclays (Kenya) Nominees Ltd A/C 9230	Nairobi	115,792	1.32
8. Old Mutual Life Assurance Co.Ltd	Nairobi	112,444	1.28
9. Phoenix of E.A.Assurance Co.Ltd	Nairobi	84,856	0.97
10. Travis (E.A) Ltd	Nairobi	77,366	0.88

Analysis of Shareholders

By region:

Region	Number	Shares held	%
Foreign investors	64	4,920,629	56.20
Local & East Africa investors (Individuals)	1,048	2,209,741	25.24
Local & East Africa investors (Institutional)	143	1,625,950	18.56
	1,255	8,756,320	100.00

By shares distribution:

Less than 500	557	141,982	1.62
500-10,000	571	881,349	10.07
10,001- 100,000	119	1,959,745	22.38
100,001-1,000,000	7	1,267,080	14.47
Above 1,000,000	1	4,506,164	51.46
	1,255	8,756,320	100.00



REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements of the Group for the year ended 31 March 2010.

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 FOR THE YEAR

	Sh'000
Profit before taxation	1,223,281
Taxation charge	(347,226)
Profit after taxation	876,055
Attributable to:	
Owners of the company	844,297
Non-controlling interest	31,758
Profit for the year	876,055

DIVIDENDS

The directors recommend the payment of a first and final dividend of Sh 6.25 per share totalling Sh 54,727,000 (2009: Sh 4 per share totalling Sh 35,025,280) in respect of the year.

DIRECTORS

The current board of directors is shown on page 3.

P. Magor and E. N. K. Wanyama retire by rotation in accordance with section 94 of the company's Articles of Association 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

Secretary

Thursday, June 24, 2010



STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Kenyan 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 company and its subsidiaries 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 and in the manner required by 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.

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 Kenyan 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 a going concern for at least the next twelve months from the date of this statement.

A.L. CARMICHAEL
Director

E.N.K. WANJAMA
Director

Thursday, June 24, 2010



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

Report on the Financial Statements

We have audited the accompanying financial statements of Williamson Tea Kenya Limited and its subsidiaries, set out on pages 16 to 59 which comprise the consolidated and company statements of financial position as at 31 March 2010, and the consolidated statement of comprehensive income, consolidated and company statements of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements 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.

Auditors' Responsibility for the Financial Statements

Our responsibility is to express an opinion on these financial statements based on our audit. 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 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we considered the internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the state of financial affairs of the company and of its subsidiaries as at 31 March 2010 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act

Report on Other Legal Requirements

As required by the Kenyan Companies Act we report to you, based on our audit, that:

- (i) we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
- (ii) in our opinion, proper books of account have been kept by the company, so far as appears from our examination of those books; and
- (iii) the company's statement of financial position (balance sheet) is in agreement with the books of account.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME **FOR THE YEAR ENDED 31 MARCH 2010**

	Note	2010 Sh'000	2009 Sh'000
REVENUE	3(d)	2,723,187	1,489,982
FAIR VALUE CHANGES			
- Tea bushes	18	326,032	(63,757)
- Timber trees	18	(4,248)	12,716
		3,044,971	1,438,941
COST OF SALES		(1,737,308)	(1,074,119)
GROSS PROFIT		1,307,663	364,822
OTHER INCOME		78,030	35,674
FAIR VALUE CHANGES			
- Firewood	18	60,569	33,750
DISTRIBUTION COSTS		(208,021)	(152,450)
ADMINISTRATIVE EXPENSES		(96,181)	(103,359)
FINANCE COSTS	6(a)	(11,143)	(18,235)
FINANCE INCOME	6(b)	2,670	151
EXCHANGE GAINS/(LOSSES)		10,757	(54,795)
SHARE OF RESULTS OF ASSOCIATE COMPANIES	15	78,937	39,783
PROFIT BEFORE TAXATION	4	1,223,281	145,341
TAXATION CHARGE	7	(347,226)	(35,471)
PROFIT FOR THE YEAR	8	876,055	109,870
COMPRISING:			
PROFIT ARISING FROM OPERATING ACTIVITIES		587,327	122,605
PROFIT/(LOSS) ARISING FROM CHANGES IN FAIR VALUE OF BIOLOGICAL ASSETS (NET OF ATTRIBUTABLE TAXATION)		256,970	(12,104)
NON - CONTROLLING INTEREST	25	31,758	(631)
PROFIT FOR THE YEAR		876,055	109,870
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		876,055	109,870
PROFIT ATTRIBUTABLE TO:			
EQUITY HOLDERS OF THE COMPANY		844,297	110,501
NON - CONTROLLING INTEREST	25	31,758	(631)
		876,055	109,870
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
EQUITY HOLDERS OF THE COMPANY		844,297	110,501
NON - CONTROLLING INTEREST	25	31,758	(631)
		876,055	109,870
EARNINGS PER SHARE - Basic and diluted	9	Sh 96.42	Sh 12.62



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 MARCH 2010

	Note	2010 Sh'000	2009 Sh'000
ASSETS			
Non current assets			
Property, plant and equipment	11	950,501	1,004,372
Intangible assets	12	3,026	5,986
Prepaid operating leases	13	77,046	77,130
Investment property	14	395,500	394,500
Investment in associate companies	15	343,706	292,486
Other investments	17	1,349	1,349
Biological assets	18	1,627,991	1,230,300
		<u>3,399,119</u>	<u>3,006,123</u>
Current assets			
Inventories	19	444,794	270,808
Trade and other receivables	20	997,081	498,190
Due from associate companies	21(a)	22,948	8,990
Loans to associate company	22(b)	-	23,333
Taxation recoverable	7(c)	2,678	7,212
Short term deposits	23	261,364	-
Cash and bank balances		200,722	106,509
		<u>1,929,587</u>	<u>915,042</u>
Total assets		<u><u>5,328,706</u></u>	<u><u>3,921,165</u></u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	24	43,782	43,782
Revaluation surplus		261,195	296,486
Revenue reserve		3,055,275	2,210,712
Equity attributable to equity holders of parent company		<u>3,360,252</u>	<u>2,550,980</u>
Non – controlling interest	25	110,229	78,471
Total equity		<u>3,470,481</u>	<u>2,629,451</u>
Non current liabilities			
Deferred taxation	26	737,536	587,127
Service gratuity	27	123,098	106,868
Borrowings	28	11,158	25,111
Finance lease obligations	29	37,939	82,503
		<u>909,731</u>	<u>801,609</u>
Current liabilities			
Borrowings	28	18,804	62,157
Finance lease obligations	29	56,910	38,801
Trade and other payables	30	725,540	374,763
Due to associate company	21(d)	3,592	5,016
Unclaimed dividends	31	4,417	4,712
Taxation payable	7(c)	139,231	4,656
		<u>948,494</u>	<u>490,105</u>
Total equity and liabilities		<u><u>5,328,706</u></u>	<u><u>3,921,165</u></u>

The financial statements on pages 16 to 59 were approved by the board of directors on 24 June, 2010 and were signed on its behalf by:

A.L. CARMICHAEL	}	Directors
E.N.K. WANJAMA		



COMPANY STATEMENT OF FINANCIAL POSITION

31 MARCH 2010

	Note	2010 Sh'000	2009 Sh'000
ASSETS			
Non current assets			
Property, plant and equipment	11	392,184	407,753
Intangible assets	12	1,363	2,660
Prepaid operating leases	13	11,799	11,812
Investment property	14	395,500	394,500
Investment in associate companies	15	79,837	79,837
Investment in subsidiary companies	16	109,877	109,877
Other investments	17	546	546
Biological assets	18	758,844	542,830
		<u>1,749,950</u>	<u>1,549,815</u>
Current assets			
Inventories	19	133,433	94,762
Trade and other receivables	20	430,134	228,127
Due from associate companies	21(a)	17,129	8,185
Due from subsidiary companies	21(b)	50,045	30,171
Loans to subsidiary companies	22(a)	126,313	49,563
Loan to associate company	22(b)	-	23,333
Short term deposits	23	125,475	-
Cash and bank balances		99,964	59,204
		<u>982,493</u>	<u>493,345</u>
Total assets		<u><u>2,732,443</u></u>	<u><u>2,043,160</u></u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	24	43,782	43,782
Revaluation surplus		130,606	147,563
Revenue reserve		1,777,259	1,322,897
Shareholders' funds		<u>1,951,647</u>	<u>1,514,242</u>
Non current liabilities			
Deferred taxation	26	357,078	295,707
Service gratuity	27	42,237	43,470
Borrowings	28	3,210	5,073
Finance lease obligations	29	2,046	4,933
		<u>404,571</u>	<u>349,183</u>
Current liabilities			
Trade and other payables	30	255,138	137,687
Due to subsidiary companies	21(c)	25,862	28,136
Taxation payable	7(c)	85,169	4,613
Borrowings	28	2,569	1,628
Finance lease obligations	29	3,070	2,959
Unclaimed dividends	31	4,417	4,712
		<u>376,225</u>	<u>179,735</u>
Total equity and liabilities		<u><u>2,732,443</u></u>	<u><u>2,043,160</u></u>

The financial statements on pages 16 to 59 were approved by the board of directors on 24 June, 2010 and were signed on its behalf by:

A.L. CARMICHAEL	}	Directors
E.N.K. WANJAMA		



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY **FOR THE YEAR ENDED 31 MARCH 2010**

	Share capital	Revaluation surplus	Revenue reserve			Equity attributable to equity holders	Non-Controlling interest	Total
	Sh'000	Sh'000	Biological assets gains/(losses) Sh'000	Other Sh'000	Total Sh'000	Sh'000	Sh'000	Sh'000
April 2008	43,782	326,901	493,169	1,581,005	2,074,174	2,444,857	79,237	2,524,094
Comprehensive income for the year	-	-	(12,104)	122,605	110,501	110,501	(631)	109,870
Less depreciation transfer	-	(50,574)	-	50,574	50,574	-	-	-
Deferred tax on excess depreciation	-	15,172	-	(15,172)	(15,172)	-	-	-
Reversal of excess depreciation over transferred in prior years	-	6,584	-	(6,584)	(6,584)	-	-	-
Plus realised on disposal of valued assets	-	(2,281)	-	2,281	2,281	-	-	-
Deferred tax on revaluation surplus realised on disposal of revalued assets	-	684	-	(684)	(684)	-	-	-
Dividends declared – 2008	-	-	-	(4,378)	(4,378)	(4,378)	(135)	(4,513)
1 March 2009	43,782	296,486	481,065	1,729,647	2,210,712	2,550,980	78,471	2,629,451
April 2009	43,782	296,486	481,065	1,729,647	2,210,712	2,550,980	78,471	2,629,451
Comprehensive income for the year	-	-	256,970	587,327	844,297	844,297	31,758	876,055
Less depreciation transfer	-	(51,019)	-	51,019	51,019	-	-	-
Deferred tax on excess depreciation	-	15,304	-	(15,304)	(15,304)	-	-	-
Plus realised on disposal of valued assets	-	604	-	(604)	(604)	-	-	-
Deferred tax on revaluation surplus realised on disposal of revalued assets	-	(180)	-	180	180	-	-	-
Dividends declared – 2009	-	-	-	(35,025)	(35,025)	(35,025)	-	(35,025)
1 March 2010	43,782	261,195	738,035	2,317,240	3,055,275	3,360,252	110,229	3,470,481

revaluation surplus arises on revaluation of property, plant and equipment and is not distributable.
revenue reserve on biological assets represents surplus arising from fair valuation of biological assets in line with IAS 41 on Agriculture.
Other revenue reserves represents accumulated surplus arising from normal operating activities.



COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2010

	Share capital	Revaluation surplus	Revenue reserve				Total
	Sh'000	Sh'000	Biological assets gains/(losses) Sh'000	Other Sh'000	Sh'000	Sh'000	Total
1 April 2008	43,782	157,710	282,058	1,021,810	1,303,868	1,505,360	
total comprehensive income for the year	-	-	(60,905)	74,165	13,260	13,260	
excess depreciation transfer	-	(23,901)	-	23,901	23,901	-	
deferred tax on excess depreciation	-	7,170	-	(7,170)	(7,170)	-	
reversal of excess depreciation over							
transferred in previous years	-	6,584	-	(6,584)	(6,584)	-	
dividends declared – 2008	-	-	-	(4,378)	(4,378)	(4,378)	
31 March 2009	43,782	147,563	221,153	1,101,744	1,322,897	1,514,242	
1 April 2009	43,782	147,563	221,153	1,101,744	1,322,897	1,514,242	
total comprehensive income for the year	-	-	151,430	321,000	472,430	472,430	
excess depreciation transfer	-	(24,225)	-	24,225	24,225	-	
deferred tax on excess depreciation	-	7,268	-	(7,268)	(7,268)	-	
dividends declared – 2009	-	-	-	(35,025)	(35,025)	(35,025)	
31 March 2010	43,782	130,606	372,583	1,404,676	1,777,259	1,951,647	

The revaluation surplus arises on revaluation of property, plant and equipment and is not distributable. The revenue reserve on biological assets represents surplus arising from fair valuation of biological assets in line with IAS 41 on Agriculture. The revenue reserves accumulated surplus arising from normal operating activities.



CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2010

	Note	2010 Sh'000	2009 Sh'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	32(a)	498,998	126,294
Interest paid	6(a)	(11,143)	(18,235)
Interest received	6(b)	2,670	151
Taxation paid	7(c)	(33,858)	(8,041)
Net cash generated from operating activities		456,667	100,169
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	32(d)	(52,805)	(92,074)
Purchase of intangible assets	12	(35)	-
Proceeds from disposal of property, plant and equipment		5,242	1,884
Proceeds from disposal of investment property		67,469	-
Assets transferred to associate company	11	-	1,997
Expenditure on biological assets		(8,644)	(7,285)
Dividend received - from associate company	15	3,867	774
- other		-	3,796
Net cash generated from/(used in) investing activities		15,094	(90,908)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans received	32(b)	-	138,230
Loans repaid	32(b)	(14,947)	(103,455)
Asset finance loans repaid	32(c)	(24,144)	(5,704)
Dividends paid to shareholders	31	(35,320)	(4,580)
Dividends paid to minority interest	25	-	(135)
Net cash (used in)/generated from financing activities		(74,411)	24,356
INCREASE IN CASH AND CASH EQUIVALENTS		397,350	33,617
CASH AND CASH EQUIVALENTS AT 1 APRIL		63,381	29,764
CASH AND CASH EQUIVALENTS AT 31 MARCH	32(e)	460,731	63,381



NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

For the Kenyan companies Act reporting purposes, in these financial statements the balance sheet is represented by/is equivalent to the statement of financial position and the profit and loss account is presented in the statement of comprehensive income.

Adoption of new and revised International Financial Reporting Standards (IFRSs) and Interpretations (IFRIC)

(i) *Standards and Interpretations affecting amounts reported in the current period (and/or prior periods)*

Only IAS 1 (revised) and IFRS 8 have affected disclosures reported in these financial statements.

- ***IFRS 8 'Operating segments' – effective 1 January 2009.***

IFRS 8, 'Operating segments', replaces IAS 14, 'Segment reporting'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The segments will be reported in a manner that is consistent with the internal reporting provided to the chief operating decision-maker.

- ***IAS 1 (revised) 'Presentation of financial statements' – effective 1 January 2009.***

A revised version of IAS 1 was issued in September 2007. It requires 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result, the Group has presented in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income.

The Group also elected to use the titles per revised IAS 1 of 'statement of financial position' and 'statement of cash flows' to describe the 'balance sheet' and cash flow statement respectively.

(ii) *Standards and interpretations issued but not yet effective*

The the standards and interpretations expected to be relevant to the Group is detailed below:

- ***IFRS 3 (revised) 'Business Combinations' – effective 1 July 2009.***

The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the profit or loss. There is a choice, on an acquisition-by-acquisition basis, to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed.

The Group will apply IFRS 3 (revised) prospectively to all business combinations from 1 January 2010.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (Continued)

(ii) Standards and interpretations issued but not yet effective (Continued)

The standards and interpretations expected to be relevant to the Group is detailed below:

- **IAS 27, 'Consolidated and separate financial statements' – effective 1 July 2009.**

The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost; any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss.

The Group will apply IAS 27 (revised) prospectively to transactions with non-controlling interests from 1 January 2010. In the future, this guidance will also tend to produce higher volatility in equity and/or earnings in connection with the acquisition of interests by the Group.

- **IFRS 9, 'Financial instruments part 1: Classification and measurement' – effective 1 January 2013.**

IFRS 9 was issued in November 2009 and replaces those parts of IAS 39 relating to the classification and measurement of financial assets. Key features are as follows:

Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

An instrument is subsequently measured at amortised cost only if it is a debt instrument and both the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and the assets' contractual cash flows represents only payments of principal and interest (that is, it has only basic loan features). All other debt instruments are to be measured at fair value through profit or loss.

All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognize unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

While adoption of IFRS 9 is mandatory from 1 January 2013, earlier adoption is permitted.

The Group is considering the implications of the standard, the impact on the Group and the timing on its adoption by the Group.

Impact of other standards and interpretations

The directors anticipate that the adoption of the other standards and interpretations and amendments resulting from the International Accounting Standards Board (IASB)'s annual improvements project published in May 2009, when effective, will have no material impact on the financial statements of the Group.

The IASBs annual improvements process deals with non-urgent, minor amendments to standards.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (Continued)

(iii) Early adoption of standards

The Group did not early-adopt new or amended standards in 2009.

The Group's principal accounting policies are set out below:

Basis of preparation

The consolidated financial statements are prepared under the historical cost convention as modified by the revaluation of certain assets.

Basis of 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 16, and include the Group's share of the results of the associate companies as disclosed in note 15, all made up to 31 March.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interest's share of changes in equity since the date of the combination. Losses applicable to the non-controlling interests in excess of the non-controlling interest'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.

Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. A listing of the Group's associated undertakings is shown in note 15.

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



NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 the shareholder's right to receive payment has been established.

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. Cost is determined by the weighted average method. The cost of finished goods comprises the fair value less estimated point-of-sale costs of agricultural produce at the point of harvest, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity), but excludes borrowing costs. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Changes in that value are recognised in profit or loss in the period of the change.

Firewood is stated at the lower of production cost and net realizable value.

Consumable stores inventories are stated at the lower of cost and net realisable value. Cost is determined by the weighted average method.

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.

The cost of replanting, infilling and upkeep are recognised as an expense through profit or loss.

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 bases of valuation are as follows:

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (continued)

Property, plant and equipment (Continued)

Any revaluation increase arising on the revaluation of such land and other assets is recognized in other comprehensive income, except to the extent that it reserves a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluations of such land and other assets is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the revaluation surplus reserve relating to a previous revaluation of that asset.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Capital work in progress

Capital work in progress relates to property and plant under construction. Cost includes materials, direct labour and any other direct expenses incurred in respect of the project. The amounts are transferred to the appropriate property, plant and equipment categories once the project is completed and commissioned.

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 estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. 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%

Depreciation on revalued building and other property is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings. No transfer is made from the revaluation reserve to retained earnings except when an asset is derecognised.

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

Intangible assets-computer software costs

Costs incurred on computer software are accounted for at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated on a straight line basis over the estimated useful lives not exceeding a period of 3 years.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (continued)

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 property

Investment property is treated as long term investment and carried at market value for existing use as determined regularly by external independent valuers. Investment property is not subject to depreciation. Changes in the carrying amounts are dealt with through the profit or loss.

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

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.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

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 end of the reporting period.

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.

Retirement benefit obligations

The Group operates a defined contribution scheme for eligible non-unionisable employees. The assets of the scheme are held in a separate trustee administered fund. The Group's contributions to the defined contribution plan are charged to the profit or loss in the year to which they relate.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (continued)

Retirement benefit obligations (Continued)

The Group also contributes to the statutory National Social Security Fund. This is a defined contribution scheme registered under the National Social Security Fund 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 profit or loss in the year to which they relate.

Impairment of tangible and intangible assets excluding goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the asset's recoverable amount is estimated and an impairment loss is dealt with through profit or loss 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 statement of financial position 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

Monetary assets and liabilities expressed in foreign currencies are translated into Kenya Shillings at the rates of exchange ruling at the end of each reporting period. 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 profit or loss.

Financial instruments

A financial asset or liability is recognised when the company becomes party to the contractual provisions of the instrument.

Financial assets

Classification

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.

(i) 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. Gains and losses arising from changes in fair value are recognised in the profit or loss.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification (Continued)

(ii) *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 Group provides money, goods or services directly to a debtor with no intention of trading the receivable.

(iii) *Held to maturity investments*

Financial assets with fixed or determinable payments and fixed maturity where the company has the positive intent and ability to hold to maturity other than loans and receivables originated by the company are classified as held to maturity investments and are measured at amortised cost using effective interest rate method less any impairment with revenue recognised on an effective yield basis.

(iv) *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 are classified as available-for-sale.

Recognition and measurement

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 profit or loss 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 in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. Dividends on available-for-sale equity instruments are recognised in the profit or loss when the Group's right to receive the dividends is established.

Impairment and uncollectability of financial assets

At the end of each reporting period, all financial assets are subject to review for impairment. If it is probable that the Group will not be able to collect all amounts due (principal and interest) according to the contractual terms of loans, receivables, or held-to-maturity investments carried at amortised cost, an impairment or bad debt loss has occurred. The carrying amount of the asset is reduced to its estimated recoverable amount either directly or through use of an allowance account. The amount of the loss incurred is dealt with through profit or loss for the period.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment and uncollectability of financial assets (Continued)

If a loss on a financial asset carried at fair value (recoverable amount is below original acquisition cost) has been recognised in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative net loss that had been recognised in other comprehensive income is removed and recognised in the profit or loss for the period even though the financial asset has not been derecognised.

Financial liabilities

Bank borrowings

Interest bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue 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 they arise.

Trade payables

Trade payables are carried at cost which is measured at the fair or contracted value of the consideration to be paid in future in respect of goods and services supplied by the suppliers, whether billed or not, to the Group.

Dividends payable

Dividends payable on ordinary shares are charged to retained earnings in the period in which they are declared. Proposed dividends are not accrued for until ratified in an Annual General Meeting.

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (Group Board of directors). The directors then allocates resources to and assesses the performance of the operating segments of the Group.

The operating segments are based on the Group's internal reporting structure. In accordance with IFRS 8, the Group has the following operating segments; cultivation sale and manufacture of tea, investment in property and the sale and servicing of generators.

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.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 CRITICAL JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the company's accounting policies, management has made estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements 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:

(i) Critical judgements in applying the company's accounting policies

Held to maturity investments

The company follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity financial assets. This classification requires significant judgement. In making this judgement, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these assets to maturity, for example selling an insignificant amount close to maturity, it will be required to classify the entire class as available-for-sale. The assets would therefore have to be measured at fair value and not amortised cost with the difference arising from this change in valuation being a corresponding entry in the fair value reserve in shareholders' equity.

(ii) Key sources of estimation uncertainty

Biological assets

In determining the fair value of biological assets, the Group uses the present value of expected discounted cashflows from the assets in their present location and condition. The discounted cash flows are estimates based on historical data relating to yields, prices of made tea and exchange rates, and on any projected changes in point of sale costs. The methodology and assumptions used are reviewed regularly to try to minimize differences between estimates and actual experience, but material differences can and do arise.

The significant assumptions, and a note as to an instance where there has been a material change as a result of reviewing the assumptions, are set out in note 18.

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.

3 SEGMENTAL INFORMATION

a) **Adoption of IFRS 8 Operating segments**

The Group has adopted IFRS 8 Operating Segments which became effective for annual periods beginning on or after 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. In contrast, the predecessor Standard (IAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and returns approach, with the entity's 'system of internal financial reporting to key management personnel' serving only as the starting point for the identification of such segments. Following the adoption of IFRS 8, the identification of the Group's reportable segments has not changed.

b) **Products and services from which reportable segments derive their revenues**

Information reported to the Group's chief operating decision maker (the Board of Directors) for the purposes of resource allocation and assessment of segment performance is focussed on the principal activities of the Group. The principal activities of the Group are the cultivation, manufacture and sale of tea, investment in property and the sale and servicing of generators.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 SEGMENTAL INFORMATION (Continued)

c) Segment revenues and results, assets and liabilities

The segment information provided to the Group board of directors for the reportable segments is as follows:-

	Tea Sh'000	Property Sh'000	Generator trading Sh'000	Group Sh'000
2010				
Revenue	2,650,270	29,320	43,597	2,723,187
Other income	8,421	69,264	345	78,030
Profit/(loss) before tax (excluding associate)	1,060,349	84,383	(388)	1,144,344
Group's share of associate companies' results before tax	78,937	-	-	78,937
Segment assets	4,871,280	395,500	61,926	5,328,706
Segment liabilities	1,847,167	-	11,058	1,858,225
Depreciation	95,560	-	1,018	96,578
Amortisation of prepaid operating lease	84	-	-	84
Amortisation of intangible assets	2,662	-	333	2,995
Capital expenditure	134,477	-	2,730	137,207
	=====	=====	=====	=====
2009				
Revenue	1,391,736	29,466	68,780	1,489,982
Other income	35,494	180	-	35,674
Profit before tax (excluding associate)	93,960	4,439	7,159	105,558
Group's share of associate companies' results before tax	39,783	-	-	39,783
Segment assets	3,460,156	394,500	66,509	3,921,165
Segment liabilities	1,281,525	-	10,189	1,291,714
Depreciation	105,188	-	1,049	106,237
Amortisation of prepaid operating lease	84	-	-	84
Amortisation of intangible assets	2,661	-	332	2,993
Capital expenditure	128,231	-	497	128,728
	=====	=====	=====	=====

Revenue reported above represents revenue generated from external customers.

There were no revenues deriving from transactions with a single external customer that amount to 10% or more of the Group's revenue.

d) Geographical information

The Group is based in Kenya. However, the Group's revenue is derived from the following markets:

	2010 Sh'000	2009 Sh'000
Offshore	2,543,062	1,294,170
Kenya	180,125	195,812
	=====	=====
	2,723,187	1,489,982
	=====	=====



NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2010 Sh'000	2009 Sh'000
4 PROFIT BEFORE TAX		
The profit before tax is arrived at after charging:		
Amortisation of leasehold property (note 13)	84	84
Amortisation of intangible assets (note 12)	2,995	2,992
Depreciation (note 11)	96,923	106,237
Directors' remuneration:		
Fees	1,000	1,000
Other emoluments	20,568	10,622
Staff costs (note 5)	596,488	524,947
Auditors' remuneration	5,210	4,892
Loss on disposal of property, plant and equipment	-	4,238
and after crediting:		
Operating lease rental income	38,198	34,292
Fair value of agricultural produce harvested during the year	369,527	127,366
Dividend income	3,867	3,796
Gain on disposal of property, plant and equipment	2,183	-
	=====	=====
5 STAFF COSTS		
Wages and salaries	517,034	458,125
Social security costs (NSSF)	6,459	9,732
Pension costs (defined contribution plan)	4,940	4,860
Service gratuity and other terminal benefits	38,576	21,461
Leave pay	17,672	17,176
Medical expenses	11,807	13,593
	-----	-----
	596,488	524,947
	=====	=====
6 (a) FINANCE COSTS		
Interest expense on:		
- bank overdrafts	1,762	6,793
- bank loans	8,801	10,756
- Group loans	580	686
	-----	-----
	11,143	18,235
	=====	=====
b) FINANCE INCOME		
Bank interest receivable	2,670	151
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	GROUP		COMPANY	
	2010	2009	2010	2009
	Sh'000	Sh'000	Sh'000	Sh'000
7 TAXATION				
(a) TAX CHARGE /(CREDIT)				
Current taxation based on the adjusted profit at 30%				
-current year	174,094	24,523	111,407	17,579
-prior year (over)/under provision	(1,127)	136	(1,997)	-
	<u>172,967</u>	<u>24,659</u>	<u>109,410</u>	<u>17,579</u>
Deferred tax charge/(credit)-note 26				
-current year	151,602	8,358	61,285	(13,975)
-prior year (over)/ under provision	(1,193)	(9,346)	86	(6,694)
	<u>150,409</u>	<u>(988)</u>	<u>61,371</u>	<u>(20,669)</u>
	<u>323,376</u>	<u>23,671</u>	<u>170,781</u>	<u>(3,090)</u>
Share of associate company's taxation:				
Current taxation	22,253	4,044	-	-
Deferred tax charge	1,597	7,756	-	-
	<u>23,850</u>	<u>11,800</u>	<u>-</u>	<u>-</u>
Tax charge/(credit)	<u>347,226</u>	<u>35,471</u>	<u>170,781</u>	<u>(3,090)</u>
(b) RECONCILIATION OF EXPECTED TAX BASED ON ACCOUNTING PROFIT TO TAX CHARGE/ (CREDIT)				
Accounting profit before taxation	<u>1,223,281</u>	<u>145,341</u>	<u>643,210</u>	<u>10,170</u>
Tax at the applicable rate of 30%	366,984	43,602	192,963	3,051
Tax effect of expenses not deductible for tax purposes	4,503	2,658	1,430	1,454
Tax effect of income not taxable	(21,941)	(1,579)	(21,701)	(901)
Prior year (over)/under provision of current tax	(1,127)	136	(1,997)	-
Prior year (over)/ under provision of deferred tax	(1,193)	(9,346)	86	(6,694)
Tax charge/(credit)	<u>347,226</u>	<u>35,471</u>	<u>170,781</u>	<u>(3,090)</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7 TAXATION (Continued)

	GROUP		COMPANY	
	2010 Sh'000	2009 Sh'000	2010 Sh'000	2009 Sh'000
(c) TAX MOVEMENT				
At beginning of the year:				
Payable	4,656	-	4,613	(7,784)
Recoverable	(7,212)	(19,174)	-	-
	<u>(2,556)</u>	<u>(19,174)</u>	<u>4,613</u>	<u>(7,784)</u>
Taxation charge	172,967	24,659	109,410	17,579
Taxation paid	(33,858)	(8,041)	(28,854)	(5,182)
	<u>136,553</u>	<u>(2,556)</u>	<u>85,169</u>	<u>4,613</u>
At end of the year				
Net tax (recoverable)/payable	136,553	(2,556)	85,169	4,613
Comprising:				
Tax payable	139,231	4,656	85,169	4,613
Tax recoverable	(2,678)	(7,212)	-	-
	<u>136,553</u>	<u>(2,556)</u>	<u>85,169</u>	<u>4,613</u>

8 PROFIT FOR THE YEAR - COMPANY

The company profit for the year of Sh 472,430,000 (2009 – Sh 13,260,000) 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 by the weighted average number of ordinary shares in issue during the year.

	2010	2009
Earnings		
Earnings for purposes of basic and diluted earnings per share (Sh'000)	844,297	110,501
Number of shares		
Number of ordinary shares	8,756,320	8,756,320
Earnings per share		
Basic and diluted (Sh)	96.42	12.62

There were no potentially dilutive shares outstanding at 31 March 2010 or 31 March 2009.

10 PROPOSED DIVIDEND

In respect of the current year, the directors propose that a dividend of Sh 6.25 per share (2009 – Sh 4 per share) amounting to a total of Sh 54,727,000 (2009 – Sh 35,025,280) will be paid to shareholders. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11 PROPERTY, PLANT AND EQUIPMENT

GROUP

	Freehold land & buildings Sh 000	Machinery & 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 2008	610,169	395,521	88,547	56,923	21,025	22,479	27,299	1,221,963
Additions	20,270	86,979	824	672	3,352	1,043	15,588	128,728
Disposals	-	(4,655)	(265)	(3,327)	(1,714)	(251)	-	(10,212)
Reclassification	8,288	7,398	-	-	-	-	(15,686)	-
Transfer to intangible assets	-	-	-	-	-	-	(8,978)	(8,978)
Transfer to Associate company	-	-	-	-	-	-	(1,997)	(1,997)
Write off	(2,860)	-	-	-	-	-	-	(2,860)
At 31 March 2009	635,867	485,243	89,106	54,268	22,663	23,271	16,226	1,326,644
Comprising:								
At Valuation 2007	611,727	305,003	-	-	-	-	-	916,730
At Cost	24,140	172,991	89,106	54,268	22,663	23,271	23,475	409,914
	635,867	477,994	89,106	54,268	22,663	23,271	23,475	1,326,644
At 1 April 2009	635,867	485,243	89,106	54,268	22,663	23,271	16,226	1,326,644
Additions	2,754	22,791	7,666	9,586	2,274	6,178	1,556	52,805
Disposals	(1,594)	(825)	(11,130)	(12,779)	(2,153)	-	-	(28,481)
Reclassification	1,710	8,952	-	-	-	-	(10,662)	-
Transfer to biological assets	-	-	-	-	-	-	(6,694)	(6,694)
At 31 March 2010	638,737	516,161	85,642	51,075	22,784	29,449	426	1,344,274
Comprising:								
At Valuation 2007	611,727	305,003	-	-	-	-	-	916,730
At Cost	27,010	211,158	85,642	51,075	22,784	29,449	426	427,544
	638,737	516,161	85,642	51,075	22,784	29,449	426	1,344,274

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11 PROPERTY, PLANT AND EQUIPMENT (Continued)

GROUP

	Freehold land & buildings Sh 000	Machinery & 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 2008	54,701	35,217	59,806	42,059	13,313	17,889	-	222,985
Charge for the year	47,415	38,788	10,347	5,952	1,604	2,131	-	106,237
Eliminated on disposal	-	(993)	(265)	(3,327)	(1,382)	(253)	-	(6,220)
Eliminated on write off	(730)	-	-	-	-	-	-	(730)
At 31 March 2009	101,386	73,012	69,888	44,684	13,535	19,767	-	322,272
At 1 April 2009	101,386	73,012	69,888	44,684	13,535	19,767	-	322,272
Charge for the year	39,838	42,865	6,466	4,056	1,631	2,067	-	96,923
Eliminated on disposal	(276)	(165)	(10,480)	(12,779)	(1,722)	-	-	(25,422)
At 31 March 2010	140,948	115,712	65,874	35,961	13,444	21,834	-	393,773
NET BOOK VALUE								
At 31 March 2010	497,789	400,449	19,768	15,114	9,340	7,615	426	950,501
At 31 March 2009	534,481	412,231	19,218	9,584	9,128	3,504	16,226	1,004,372
NET BOOK VALUE (Cost basis)								
At 31 March 2010	279,928	239,355	19,768	15,114	9,340	7,615	6,246	577,366
At 31 March 2009	228,451	282,220	19,218	9,584	9,128	3,504	16,226	568,331

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 160,099,895 (2009 - Sh 98,376,700) which are fully depreciated and whose normal depreciation charge for the year would have been Sh 23,252,502 (2009 - Sh 20,726,411).

Land and buildings with net book value of Sh 497,789,000 (2009 - Sh 534,481,000) have been charged to secure banking facilities granted to the Group as disclosed in note 28.

Motor vehicles and machinery with a net book value of Sh 95,855,774 (2009 - Shs 108,250,000) are subject of a finance lease as disclosed on note 29.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11 PROPERTY, PLANT AND EQUIPMENT (Continued)

COMPANY

	Freehold land & buildings Sh 000	Machinery & 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 2008	319,829	126,257	34,715	20,970	8,178	9,671	19,010	538,630
Additions	4,029	2,726	824	80	2,130	625	2,653	13,067
Disposals	-	-	-	(3,084)	(238)	-	-	(3,322)
Reclassification	2,476	6,291	-	-	-	-	(8,767)	-
Transfer to intangible assets (note 12)	-	-	-	-	-	-	(3,990)	(3,990)
Transfer to related companies	-	-	-	-	-	-	(6,985)	(6,985)
At 31 March 2009	326,334	135,274	35,539	17,966	10,070	10,296	1,921	537,400
Comprising:								
At Valuation 2007	319,829	117,744	-	-	-	-	-	437,573
At Cost	6,505	17,530	35,539	17,966	10,070	10,296	1,921	99,827
At 31 March 2009	326,334	135,274	35,539	17,966	10,070	10,296	1,921	537,400
At 1 April 2009	326,334	135,274	35,539	17,966	10,070	10,296	1,921	537,400
Additions	549	6,795	3,388	3,715	2,443	3,521	793	21,204
Disposals	(205)	-	(1,258)	(631)	(2,120)	-	-	(4,214)
Reclassification	1,710	915	-	-	-	-	(2,625)	-
At 31 March 2010	328,388	142,984	37,669	21,050	10,393	13,817	89	554,390
Comprising:								
At Valuation 2007	319,829	117,744	-	-	-	-	-	437,573
At Cost	8,559	25,240	37,669	21,050	10,393	13,817	89	116,817
At 31 March 2010	328,388	142,984	37,669	21,050	10,393	13,817	89	554,390

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11 PROPERTY, PLANT AND EQUIPMENT (Continued)

COMPANY

	Freehold land & buildings Sh 000	Machinery & 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 2008	27,195	13,991	25,627	11,197	4,319	7,928	-	90,257
Charge for the year	23,055	12,435	2,755	2,741	830	755	-	42,571
Eliminated on disposal	-	-	-	(3,084)	(97)	-	-	(3,181)
At 31 March 2009	50,250	26,426	28,382	10,854	5,052	8,683	-	129,647
At 1 April 2009	50,250	26,426	28,382	10,854	5,052	8,683	-	129,647
Charge for the year	19,221	11,009	1,597	2,672	899	929	-	36,327
Eliminated on disposal	(190)	-	(1,258)	(631)	(1,689)	-	-	(3,768)
At 31 March 2010	69,281	37,435	28,721	12,895	4,262	9,612	-	162,206
NET BOOK VALUE								
At 31 March 2010	259,107	105,549	8,948	8,155	6,131	4,205	89	392,184
At 31 March 2009	276,084	108,848	7,157	7,112	5,018	1,613	1,921	407,753
NET BOOK VALUE (Cost basis)								
At 31 March 2010	110,374	67,701	8,948	8,155	6,131	4,056	239	205,604
At 31 March 2009	110,409	78,710	7,157	7,112	5,018	1,613	1,921	211,940

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

Included in property, plant and equipment are assets with an original cost of Sh 51,102,921 (2009 - Sh 41,586,136) which are fully depreciated and whose normal depreciation charge for the year would have been Sh 7,884,670 (2009 - Sh 8,834,074).

Land, buildings and development with net book value of Sh 259,107,000 (2009 - Sh 276,084,000) have been charged to secure banking facilities granted to the company as disclosed in note 28.

Motor vehicles and machinery with a net book value of Sh 4,665,542 (2009: 6,114,031) are subject of a finance lease as disclosed on note 29.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12 INTANGIBLE ASSETS

	GROUP		COMPANY	
	2010 Sh'000	2009 Sh'000	2010 Sh'000	2009 Sh'000
COST				
At 1 April	-	-	3,990	-
Reclassification from property, plant and equipment	8,978	8,978	-	3,990
Additions	35	-	35	-
31 March	9,013	8,978	4,025	3,990
AMORTISATION				
At 1 April	2,992	-	1,330	-
Amortisation for the year	2,995	2,992	1,332	1,330
At 31 March	5,987	2,992	2,662	1,330
At 31 March	<u>3,026</u>	<u>5,986</u>	<u>1,363</u>	<u>2,660</u>

13 PREPAID OPERATING LEASES

COST				
At 1 April	81,581	81,581	12,613	12,613
AMORTISATION				
At 1 April	4,451	4,367	801	788
Amortisation for the year	84	84	13	13
At 31 March	4,535	4,451	814	801
NET BOOK VALUE				
At 31 March	<u>77,046</u>	<u>77,130</u>	<u>11,799</u>	<u>11,812</u>

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

Leasehold land was last revalued as at 31 March 2007 by Lloyd Masika Ltd, registered valuers and estate agents, at Sh 169.75 million at that time, based on open market value.

14 INVESTMENT PROPERTY

At fair value:

	GROUP & COMPANY	
	2010 Sh'000	2009 Sh'000
At 1 April	394,500	394,500
Fair value gain	37,500	-
Disposals	(36,500)	-
At 31 March	<u>395,500</u>	<u>394,500</u>
COST BASIS		
	<u>102,833</u>	<u>105,242</u>



NOTES TO THE FINANCIAL STATEMENTS (Continued)

14 INVESTMENT PROPERTY (Continued)

LR 209/311/5 (Williamson House) was revalued as at 31 March 2010 by Lloyd Masika Limited, Registered Valuers and Estate Agents on an open market value basis. Other investment property was revalued as at 31 March 2007 by Lloyd Masika Limited, Registered Valuers and Estate Agents on an open market value basis. The directors are of the opinion that the fair value of the property has not materially changed from the previous year.

	2010 Sh'000	2009 Sh'000
15 INVESTMENT IN ASSOCIATE COMPANIES		
GROUP		
Kapchorua Tea Company Limited (Quoted) - 39.56% owned: At share of net assets (market value – Sh 225,975,889) 2009 – Sh 105,236,000)	323,891	272,671
Williamson Developments Limited (Unquoted) - 50% Share of net assets	19,815	19,815
	343,706	292,486
	343,706	292,486
COMPANY		
Kapchorua Tea Company Limited (Quoted); 39.56% owned: At cost (market value – Sh 225,975,889) 2009 – Sh 105,236,000)	49,479	49,479
Williamson Developments Limited (Unquoted) - 50% owned at cost	30,358	30,358
	79,837	79,837
	79,837	79,837
The movement in Group investment in associate companies is as follows:		
At 1 April	292,486	265,277
Share of profit before taxation	78,937	39,783
Share of tax	(23,850)	(11,800)
Dividend received	(3,867)	(774)
	343,706	292,486
	343,706	292,486
At 31 March	343,706	292,486
	343,706	292,486



NOTES TO THE FINANCIAL STATEMENTS (Continued)

15 INVESTMENT IN ASSOCIATE COMPANIES (Continued)

The details of the above associate companies are as follows:

<i>Company</i>	<i>Share Capital Sh.</i>	<i>% owned</i>	<i>Country of Incorporation</i>	<i>Principal activity</i>
Kapchorua Tea Company Ltd.	19,560,000	39.56%	Kenya	Cultivation, manufacture and sale of tea
Williamson Developments Ltd.	3,600	50.00%	Kenya	Property management

The audited summarised financial information as of 31 March 2010 in respect of the associated companies is set out below:

	KAPCHORUA TEA COMPANY LIMITED		WILLIAMSON DEVELOPMENTS LIMITED	
	2010 Sh'000	2009 Sh'000	2010 Sh'000	2009 Sh'000
Total assets	1,498,931	1,167,797	42,791	43,240
Total liabilities	680,199	478,537	3,190	3,609
Net assets	818,732	689,260	39,631	39,631
Group's share of the net assets	323,891	272,671	19,815	19,815
Revenue	1,138,783	776,001	6,172	6,044
Profit before taxation	199,538	99,735	-	656
Taxation charge	(60,286)	(29,827)	-	-
Profit for the year	139,252	69,908	-	656
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	139,252	69,908	-	656



NOTES TO THE FINANCIAL STATEMENTS (Continued)

16 INVESTMENT IN SUBSIDIARY COMPANIES

	2010 Sh'000	2009 Sh'000
(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 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:

<i>Company</i>	<i>Share capital Sh.</i>	<i>Country of Incorporation</i>	<i>Principal activity</i>
Kaimosi Tea Estates Limited.	2,540,000	Kenya	Cultivation, manufacture and sale of ea.
Williamson Power Limited.	2,880,000	Kenya	Sales, installation and servicing of generators
Tea Properties Limited.	2,000	Kenya	Property Investment
Lelsa Tea Estates Limited.	4,000,000	Kenya	Dormant Company
Tinderet Tea Estates (1989) Limited.	100,000	Kenya	Cultivation, manufacture and sale of tea

	2010 Sh'000	2009 Sh'000
17 OTHER INVESTMENTS		
Unquoted investments at cost		
Group		
999,326 Shares (2009 – 999,326) shares of Sh 10 each in Kenya Tea Packers Limited	1,349	1,349
Company		
403,545 Shares (2009 – 403,545) shares of Sh 10 each in Kenya Tea Packers Limite	546	546

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18 BIOLOGICAL ASSETS GROUP

	Tea bushes Sh'000	Timber trees Sh'000	Fuel trees Sh'000	Total 2010 Sh'000	Total 2009 Sh'000
Carrying amount at 1 April 2009	880,377	193,292	156,631	1,230,300	1,240,306
Expenditure on biological assets	6,877	1,316	2,033	10,226	9,406
Transfer from property, plant and equipment	6,694	-	-	6,694	-
Decrease due to harvest	(571)	(156)	(855)	(1,582)	(2,121)
	893,377	194,452	157,809	1,245,638	1,247,591
Gains/(losses) arising from changes in fair value attributable to physical changes	45,850	(4,248)	(10,835)	30,767	36,188
Gains/(losses) arising from changes in fair value attributable to price changes	280,182	-	76,208	356,390	(53,479)
Disposals	-	-	(4,804)	(4,804)	-
Net fair value gains/(losses)	326,032	(4,248)	60,569	382,353	(17,291)
Carrying amount at 31 March 2010	<u>1,219,409</u>	<u>190,204</u>	<u>218,378</u>	<u>1,627,991</u>	<u>1,230,300</u>

COMPANY

Carrying amount at 1 April 2009	385,288	65,152	92,390	542,830	627,727
Expenditure on biological assets	24	-	472	496	2,360
Decrease due to harvest	(571)	-	(240)	(811)	(250)
	384,741	65,152	92,622	542,515	629,837
Gains/(losses) arising from changes in fair value attributable to physical changes	46,997	(7,228)	(10,099)	29,670	48,723
Gain arising from changes in fair value attributable to price changes	173,955	-	17,508	191,463	(133,356)
Disposals	-	-	(4,804)	(4,804)	(2,374)
Net fair value (loss)/gain	220,952	(7,228)	2,605	216,329	(87,007)
Carrying amount at 31 March 2010	<u>605,693</u>	<u>57,924</u>	<u>95,227</u>	<u>758,844</u>	<u>542,830</u>

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

- The expected lifespan of the plantations (tea bushes 30 years; firewood and timber trees between 5 and 25 years depending on the species of the tree).
- Tea selling prices are to remain constant, based on the dollar average for the last five years and the ruling rate of exchange at year end; firewood and timber prices are also to remain constant.
- Tea bush fair values are 60% of discounted future cash flows less point-of-sale and tea-processing costs; the remaining 40% is assigned to regeneration of tea leaf.
- Discount rates to be applied to discount the expected net cash flows arising from the asset should be 14.8% per annum.
- Point-of-sale and tea-processing costs will be the same as for the last financial year except where material changes are to be expected from projected changes in operational procedures.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

	GROUP		COMPANY	
	2010 Sh'000	2009 Sh'000	2010 Sh'000	2009 Sh'000
19 INVENTORIES				
Tea stocks	368,248	192,851	114,580	77,802
Firewood	3,845	5,189	1,355	1,343
Stores	70,009	68,785	17,498	15,617
Generators	578	578	-	-
Work in progress	487	348	-	-
Goods in transit	1,627	3,057	-	-
	<u>444,794</u>	<u>270,808</u>	<u>133,433</u>	<u>94,762</u>
20 TRADE AND OTHER RECEIVABLES				
Trade	868,643	298,778	359,863	96,269
Staff	37,238	36,383	27,010	24,174
VAT receivable	42,306	50,549	7,352	-
Other	48,894	112,480	35,909	107,684
	<u>997,081</u>	<u>498,190</u>	<u>430,134</u>	<u>228,127</u>
21 BALANCES WITH RELATED COMPANIES	GROUP		COMPANY	
	2010 Sh'000	2009 Sh'000	2010 Sh'000	2009 Sh'000
(a) DUE FROM ASSOCIATE COMPANIES				
Kapchorua Tea Company Limited	19,992	6,694	14,173	5,943
Williamson Development Limited	2,956	2,296	2,956	2,242
	<u>22,948</u>	<u>8,990</u>	<u>17,129</u>	<u>8,185</u>
(b) DUE FROM SUBSIDIARY COMPANIES			2010 Sh'000	2009 Sh'000
COMPANY				
Kaimosi Tea Estates Limited			14,641	9,270
Williamson Power Limited			5,246	3,648
Tinderet Tea Estates (1989) Limited			30,158	17,253
			<u>50,045</u>	<u>30,171</u>



NOTES TO THE FINANCIAL STATEMENTS (Continued)

21 BALANCES WITH RELATED COMPANIES (Continued)

	2010	2009
	Sh'000	Sh'000
(c) DUE TO SUBSIDIARY COMPANIES		
COMPANY		
Tea Properties Limited	24,868	25,467
Tinderet Tea Estates (1989) Limited	285	-
Williamson Power Limited	709	708
Kaimosi Tea Estates Limited	-	1,961
	<u>25,862</u>	<u>28,136</u>
	=====	=====
(d) DUE TO ASSOCIATE COMPANY – GROUP		
Kapchorua Tea Company Limited	3,592	5,016
	<u>3,592</u>	<u>5,016</u>
	=====	=====

22 LOANS TO RELATED COMPANIES

(a) LOAN TO SUBSIDIARY COMPANIES - **COMPANY**

Kaimosi Tea Estate Limited	-	26,250
Tinderet Tea Estate (1989) Limited	126,313	23,313
	<u>126,313</u>	<u>49,563</u>
	=====	=====

The loans to the subsidiary companies are unsecured and are repayable quarterly within two years. The effective interest rate on the loans as at 31 March 2010 was 8.75% (2009 – 6.50 %).

	2010	2009
	Sh'000	Sh'000
(b) LOAN TO ASSOCIATE COMPANY – GROUP AND COMPANY		
Kapchorua Tea Company Limited	-	23,333
	<u>-</u>	<u>23,333</u>
	=====	=====

The loan to the associated company is unsecured and is repayable quarterly within a year. The effective interest on the loan as at 31 March 2010 was nil (2009 - 6.50%).



NOTES TO THE FINANCIAL STATEMENTS (Continued)

	GROUP		COMPANY	
	2010 Sh'000	2009 Sh'000	2010 Sh'000	2009 Sh'000
23	SHORT TERM DEPOSITS – Held to maturity			
At amortised cost				
Maturing within 90 days				
NIC Bank Limited	80,401	-	25,122	-
Bank of Africa Limited	180,963	-	100,353	-
At 31 March	261,364	-	125,475	-
The effective interest rates on fixed deposits at 31 March 2010 was as below:				
			2010 %	2009 %
NIC Bank Limited			7.00	-
Bank of Africa Limited			7.25	-
			2010 Sh'000	2009 Sh'000
24	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
25	NON – CONTROLLING INTEREST			
At 1 April			78,471	79,237
Share of profit/(loss)			31,758	(631)
Dividend paid			-	(135)
At 31 March			110,229	78,471
Represented by:				
Holding in Tinderet Tea Estates (1989) Limited			18.00%	18.00%

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26 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	
	2010	2009	2010	2009
	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	280,368	268,071	128,621	100,848
Revaluation of investment property	55,571	66,521	55,571	66,521
Revaluation surplus	111,940	121,765	55,974	48,250
Fair value adjustments - biological assets	334,948	215,901	159,679	94,781
Unrealised exchange gains	2,073	1,984	862	405
	784,900	674,242	371,245	310,805
Deferred tax assets:				
Unrealised exchange losses	(6,792)	(6,141)	(469)	(345)
Service gratuity provision	(36,931)	(32,061)	(12,671)	(13,041)
Leave pay provision	(2,759)	(3,547)	(800)	(1,229)
Inventories general provision	(343)	(763)	(227)	(483)
Tax losses	(293)	(44,357)	-	-
Accelerated depreciation charges	(246)	(246)	-	-
	(47,364)	(87,115)	(14,167)	(15,098)
Net deferred tax liability	737,536	587,127	357,078	295,707

The movement on the deferred tax account is as follows:

	GROUP		COMPANY	
	2010	2009	2010	2009
	Sh'000	Sh'000	Sh'000	Sh'000
At 1 April	587,127	588,115	295,707	316,376
Tax charge/(credit) (note 7a)				
- current year	151,602	8,358	61,285	(13,975)
- Prior year overprovision	(1,193)	(9,346)	86	(6,694)
At 31 March	737,536	587,127	357,078	295,707



NOTES TO THE FINANCIAL STATEMENTS (Continued)

	GROUP		COMPANY	
	2010	2009	2010	2009
	Sh'000	Sh'000	Sh'000	Sh'000
27 SERVICE GRATUITY				
At start of the year	106,868	122,497	43,470	65,980
Provision during the year	38,366	14,356	14,692	633
Payments in the year	(22,136)	(29,985)	(15,925)	(23,143)
At 31 March	<u>123,098</u>	<u>106,868</u>	<u>42,237</u>	<u>43,470</u>

28 BORROWINGS

a) Loans

Bank overdraft	1,355	43,128	-	-
Shareholder loan	28,607	33,547	5,779	6,701
Bank Loan	-	10,593	-	-
	<u>29,962</u>	<u>87,268</u>	<u>5,779</u>	<u>6,701</u>

The borrowings are repayable as follows:

On demand and within one year	18,804	62,157	2,569	1,628
In the second to fifth year	11,158	25,111	3,210	5,073
	<u>29,962</u>	<u>87,268</u>	<u>5,779</u>	<u>6,701</u>

Analysis of borrowings by currency

Group

	Borrowings In KES Sh'000	Borrowings in USD Sh'000	Borrowings in GBP Sh'000	Total Sh'000
2010				
Bank overdrafts	1,355	-	-	1,355
Shareholder loan	-	-	28,607	28,607
	<u>1,355</u>	<u>-</u>	<u>28,607</u>	<u>29,962</u>
2009				
Bank overdrafts	-	43,128	-	43,128
Shareholder loan	-	-	33,547	33,547
Bank Loan	-	10,593	-	10,593
	<u>-</u>	<u>53,721</u>	<u>33,547</u>	<u>87,268</u>



NOTES TO THE FINANCIAL STATEMENTS (Continued)

28 BORROWINGS (Continued)

a) Loans (Continued)

Analysis of borrowings by currency

Company	Borrowings In KES Sh'000	Borrowings in USD Sh'000	Borrowings in GBP Sh'000	Total Sh'000
2010				
Shareholder loan	-	-	5,779	5,779
	=====	=====	=====	=====
2009				
Shareholder loan	-	-	6,701	6,701
	=====	=====	=====	=====

b) Interest rates

	2010	2009
The average interest rates paid by the Group were as follows:		
Share holder loan - GBP	BOE +1.5%	BOE +1.5%
Bank overdraft - KSh	15.75%	13.75%
Bank overdraft - US\$	6.25%	8.5%
	=====	=====

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.
4. 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.
5. The share holder'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 of Kenya Limited registered to cover Sh 84 million.

d) Undrawn facilities

The Group had undrawn committed borrowing facilities amounting to Sh 185,777,000 (2009 - Sh 133,619,000). The borrowing facilities consist of loans, bank overdrafts, letters of credit and guarantees.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

29 FINANCE LEASE OBLIGATIONS

GROUP

	Minimum lease payments (including finance charges)		Present value of minimum lease payments (excluding finance charges)	
	2010 Shs'000	2009 Shs'000	2010 Shs'000	2009 Shs'000
Within one year	61,747	42,099	56,910	38,801
In second to fifth year	41,164	89,516	37,939	82,503
	102,911	131,615	94,849	121,304
Less: Future finance charges	(8,062)	(10,311)	-	-
Present value of lease obligations	94,849	121,304	94,849	121,304
Amounts due for settlement within one year			(56,910)	(38,801)
Amounts due for settlement after one year			37,939	82,503

COMPANY

	Minimum lease payments (including finance charges)		Present value of minimum lease payments (excluding finance charges)	
	2010 Shs'000	2009 Shs'000	2010 Shs'000	2009 Shs'000
Within one year	3,331	3,211	3,070	2,959
In second year to fifth year	2,220	5,352	2,046	4,933
	5,551	8,563	5,116	7,892
Less: Future finance charges	(435)	(671)	-	-
Present value of lease obligations	5,116	7,892	5,116	7,892
Amounts due for settlement within one year			(3,070)	(2,959)
Amounts due for settlement after one year			2,046	4,933

The average lease period is 3 years. The average interest rate was 8.50% (2009 - 8.50%).

The finance lease is secured by motor vehicles and machinery which are the subject of the finance lease.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

	GROUP		COMPANY	
	2010 Sh'000	2009 Sh'000	2010 Sh'000	2009 Sh'000
30 TRADE AND OTHER PAYABLES				
Trade payables	117,345	91,346	59,355	27,227
Green leaf provision	447,558	134,134	103,902	21,079
Leave provision	9,201	11,828	2,670	4,097
Accruals and other payables	151,436	137,455	89,211	85,284
	<u>725,540</u>	<u>374,763</u>	<u>255,138</u>	<u>137,687</u>
31 UNCLAIMED DIVIDENDS				
			2010 Sh'000	2009 Sh'000
GROUP & COMPANY				
At beginning of the year			4,712	4,914
Declared in the year			35,025	4,378
Dividends claimed			(35,320)	(4,580)
At end of year			<u>4,417</u>	<u>4,712</u>
32 NOTES TO THE CASH FLOW STATEMENT				
GROUP			o	
(a) Reconciliation of profit before tax to cash generated from operations				
Profit before tax			1,223,281	145,341
Adjustments for:				
Depreciation			96,923	106,237
Amortisation of prepaid operating leases			84	84
Amortisation of intangible assets			2,995	2,992
(Profit)/loss on disposal of plant and equipment			(2,183)	4,238
Share of results of associates			(78,937)	(39,783)
Fair value adjustment on biological assets			(382,353)	17,291
Gain on disposal of investment property			(30,969)	-
Fair value gain on investment property			(37,500)	-
Exchange differences on loans (note 32(b))			(586)	(11,002)
Exchange differences on asset finance loans (note 32(c))			(2,311)	25,080
Interest paid			11,143	18,235
Interest received			(2,670)	(151)
Dividend received			-	(3,796)
Profit before working capital changes			<u>796,917</u>	<u>264,766</u>
Increase in inventories			(173,986)	(149,557)
Increase in trade and other receivables			(498,891)	(153,950)
Increase in trade and other payables			350,777	158,681
Movement in associate companies balances			(15,382)	45,316
Movement in short term loan to associate			23,333	(23,333)
Increase/(decrease) in service gratuity			16,230	(15,629)
Cash generated from operations			<u>498,998</u>	<u>126,294</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

32 NOTES TO THE CASH FLOW STATEMENT (Continued)

	2010 Sh'000	2009 Sh'000
(b) Analysis of changes in loans		
At 1 April	44,140	20,367
Loans received	-	138,230
Loans repaid	(14,947)	(103,455)
Exchange (gain)/loss	(586)	(11,002)
At 31 March	28,607	44,140
(c) Analysis of changes in asset finance loan		
At 1 April	121,304	65,274
Asset finance loans received	-	36,654
Asset finance loans repaid	(24,144)	(5,704)
Exchange (gain)/loss	(2,311)	25,080
At 31 March	94,849	121,304
(d) Analysis non cash transactions- purchase of plant and equipment		
Additions in the year (note 11)	52,805	128,728
Amounts subject of a finance lease	-	(36,654)
	52,805	92,074
(e) Analysis of cash and cash equivalents		
Cash and bank balances	200,722	106,509
Short term deposits	261,364	-
Bank overdrafts	(1,355)	(43,128)
At 31 March	460,731	63,381

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.

33 RELATED PARTIES

The Group transacts with the ultimate holding company and other companies related to it by virtue of common shareholding.

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

	2010 Sh'000	2009 Sh'000
Sales through a related party (Williamson Tea Holdings Limited – parent)	2,543,062	1,294,170
Agency commission and charges received (Kapchorua Tea Company Limited – associate)	43,699	27,784
Agency fees-Cohen & Griffiths Ltd	72,651	38,825
Green leaf purchases from Kapchorua Tea Company Limited	10,894	19,377
Firewood sales to Kapchorua Tea Company Limited	357	3,912



NOTES TO THE FINANCIAL STATEMENTS (Continued)

33 RELATED PARTIES (Continued)

Loan from parent company

The Group received a loan of GBP 200,000 during the financial year ended 31 March 2008 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 Group received a further loan of GBP 51,750 during the financial year ended 31 March 2009 for purchase of farm machinery from George Williamson & Co Limited, a related company. The interest rate on the loans is Bank of England plus 1.50 %. The balance outstanding on the shareholder loan at 31 March 2010 is disclosed in note 28.

	2010 Sh'000	2009 Sh'000
Compensation of key management personnel		

The remuneration of directors and other members of key management during the period was as follows:

Directors' emoluments

Salaries and benefits	20,568	10,622
Fees and allowances for services as directors	1,000	1,000
	<u>21,568</u>	<u>11,622</u>

Key management remuneration

Salaries and other benefits	<u>68,143</u>	<u>51,337</u>
-----------------------------	---------------	---------------

	GROUP		COMPANY	
	2010 Sh'000	2009 Sh'000	2010 Sh'000	2009 Sh'000
34 CAPITAL COMMITMENTS				
Authorised but not contracted for	116,708	77,608	40,506	29,201
Authorised and contracted for	20,499	-	5,138	-
	<u>137,207</u>	<u>77,608</u>	<u>45,644</u>	<u>29,201</u>

The Group intends to finance these commitments from internally generated funds, asset financing from the banks and loans from overseas Shareholders.

35 OPERATING LEASE COMMITMENTS

The Group as a lessor

Property rental income earned during the year amounted to Sh 38,197,827 (2009 – Sh 29,646,366). At the end of the reporting period, the Group had contracted with tenants for the following future lease receivables.

	2010 Sh'000	2009 Sh'000
Within one year	28,805	29,169
In the second to fifth years inclusive	27,675	28,741
	<u>56,480</u>	<u>57,910</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

35 OPERATING LEASE COMMITMENTS (Continued)

Leases are negotiated for an average term of six years for both residential properties and 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.

36 CONTINGENT LIABILITIES

The Group had no contingent liabilities as at 31 March 2010 (2009: Sh nil).

37 CAPITAL MANAGEMENT

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in notes 28 and 29, cash and cash equivalents and equity attributable to equity holders, comprising issued capital and retained earnings.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents.

	GROUP	
	2010	2009
	Sh	Sh
Share capital	43,782	43,782
Retained earnings	3,055,275	2,210,712
Equity	3,099,057	2,254,494
Total borrowings	126,166	251,700
Less: cash	(200,722)	(106,509)
Net debt	(74,556)	145,191
Total Capital	3,024,501	2,399,685
Gearing	Nil	6.05%

38 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks, including credit risk and the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

Risk management is carried out by the finance department under policies approved by the Board of Directors. Finance identifies, evaluates and hedges financial risks. The Board provides written principles for overall risk management, as well as written policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, use of non-derivative financial instruments and investing excess liquidity.

Financial risks arising from use of financial instruments

The Group has exposure to the following risks due to its use of financial instruments;

- credit risk
- liquidity risk
- market risk

NOTES TO THE FINANCIAL STATEMENTS (Continued)

38 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk

Credit risk is managed on a Group-wide basis. Credit risk arises from cash and cash equivalents, deposits with banks, as well as trade and other receivables. The credit risk on liquid funds and bank balances is limited because the counter parties are banks with high credit ratings assigned by international credit rating agencies. The Group management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board. The utilisation of credit limits is regularly monitored.

The Group has policies in place to ensure that sales are made to customers with an appropriate credit history.

The amount that best represents the Group's maximum exposure to credit risk as at 31 March 2010 is made up as follows:

	Fully performing Sh'000	Post due Sh'000	Total Sh'000
Trade receivables	868,643	-	868,643
Short term deposits	261,364	-	261,364
Bank balances	200,722	-	200,722
	=====	=====	=====

The amount that best represents the Group's maximum exposure to credit risks as at 31 March 2009 is made up as follows:

	Fully performing Sh'000	Post due Sh'000	Total Sh'000
Trade receivables	343,875	15,988	359,863
Bank balances	106,578	-	106,578
	=====	=====	=====

The customers under the fully performing category are paying their debts as they continue trading.

The receivables that are past due relate to trade receivables overdue by over 60 days. The receivables are not impaired and continue to be paid. The finance department is actively following these receivables. No collateral is held with respect to the debt.

The Group has no debt that is considered to be impaired.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following table analyses the Group's financial liabilities that will be settled into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

38 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

	Up to 1 month Sh'000	1-3 months Sh'000	3-12 months Sh'000	1-5 years Sh'000	Over 5 years Sh'000	Total Sh'000
Financial liabilities						
At 31 March 2010						
Trade payables	55,997	181,684	608	-	-	238,289
Finance lease obligations	5,145	10,288	46,305	41,164	-	102,902
Borrowings	5,563	8,416	6,295	14,334	-	34,608
	<u>66,705</u>	<u>200,388</u>	<u>53,208</u>	<u>55,498</u>	<u>-</u>	<u>375,799</u>
At 31 March 2009						
Trade payables	65,253	295,772	1,910	-	-	362,935
Finance lease obligations	3,508	7,016	31,575	89,516	-	131,615
Borrowings	59,882	6,948	31,272	45,438	-	143,540
	<u>128,643</u>	<u>309,736</u>	<u>64,757</u>	<u>134,954</u>	<u>-</u>	<u>638,090</u>

Market risk

(i) Foreign exchange risk

The Group undertakes certain transactions denominated in foreign currencies. Exchange rate exposures are managed within approved policy parameters.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of the reporting period are as follows:

	USD Sh'000	GBP Sh'000	EURO Sh'000
2010			
Assets			
Bank and cash balances	48,523	56,640	397
Trade receivables	665,990	125,267	29,027
	<u>=====</u>	<u>=====</u>	<u>=====</u>
Liabilities			
Borrowings	72,371	28,606	-
Finance lease obligations	22,478	-	-
	<u>=====</u>	<u>=====</u>	<u>=====</u>
2009			
Assets			
Bank and cash balances	18,104	37,433	13,428
Trade receivables	136,747	98,549	6,425
	<u>=====</u>	<u>=====</u>	<u>=====</u>
Liabilities			
Borrowings	155,629	47,938	1,433
Finance lease obligations	7,892	-	-
	<u>=====</u>	<u>=====</u>	<u>=====</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

38 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Market risk (Continued)

(i) Foreign exchange risk (Continued)

Foreign exchange risk – appreciation/depreciation of Ksh against other currencies by 1%

The following sensitivity analysis shows how profit and equity would change if the market risk variables had been different at the end of the reporting period with all other variables held constant.

	2010 Sh'000		2009 Sh'000	
	Effect on Profit	Effect on equity	Effect on profit	Effect on equity
Currency - GB pounds				
+ 1% KSh Movement	2,218	1,552	4,956	3,469
- 1 %KSh Movement	(2,218)	(1,552)	(4,956)	(3,469)
Currency - US dollars				
+ 1% KSh Movement	7,546	5,282	1,217	852
- 1% KSh Movement	(7,546)	(5,282)	(1,217)	(852)
Currency - Euro				
+ 1 % Movement	419	294	2,985	2,090
- 1 % Movement	(419)	(294)	(2,985)	(2,090)
	=====	=====	=====	=====

(iii) Interest rate risk

Interest rate risks arise from fluctuations in the bank borrowing rates. The interest rates vary from time to time depending on the prevailing economic circumstances. The Group closely monitors the interest rate trends to minimize the potential adverse impact of interest rate changes.

Interest rate risks – increase / decrease of 1% in net interest margin

The following sensitivity analysis shows how profit and equity would change if the market risk variables had been different at the end of the reporting period with all other variables held constant.

	2010 Sh'000		2009 Sh'000	
	Effect on Profit	Effect on equity	Effect on profit	Effect on equity
+ 1% Movement	1,366	956	203	142
- 1% Movement	(1,366)	(956)	(203)	(142)

Financial risks arising from involvement in agricultural activity

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. This is achieved through the marketing agent based in the United Kingdom.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

39 COUNTRY OF INCORPORATION

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

40 ULTIMATE HOLDING COMPANY

The immediate 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.

41 CURRENCY

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



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 17th August 2010 and at any adjournment thereof.

Dated this day of..... 2010

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.



POLL BALLOT PAPER

Name: _____

Address: _____

Share Account No: _____

No. of shares: _____

ITEM NO:	IN FAVOUR	AGAINST
☐	☐	☐
☐	☐	☐
☐	☐	☐
☐	☐	☐
☐	☐	☐
☐	☐	☐

PLEASE TICK AS APPROPRIATE

Signature: _____



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