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WILLIAMSON TEA KENYA LIMITED

**REPORT AND
FINANCIAL STATEMENTS**

31 MARCH 2012

WILLIAMSON TEA KENYA LIMITED

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012**

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WILLIAMSON TEA KENYA LIMITED

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Sixty Second ANNUAL GENERAL MEETING of the Shareholders will be held at the Nairobi Club, Ngong Road, on Thursday 23 August 2012 at 10.00 a.m for the following purpose:

- 1) To receive and adopt the report of the directors together with the audited financial statements for the year ended 31 March 2012.
- 2) To declare dividends:
 - i) To ratify the payment of special/Interim dividend of Sh.50.00 per ordinary share paid on 20th March 2012.
 - ii) To declare a final dividend payment of Sh 7.50 per ordinary share for the year ended 31 March 2012.
- 3) To elect directors:
 - i) In accordance with Article 108 of the Company's Articles of Association, Mr. Anthony S Marsh, retires by rotation and offers himself for re-election.
 - ii) In accordance with Article 114 of the Company's Articles of Association, Mr. Samuel Ndungu Thumbi, a director appointed to fill a casual vacancy retires at the meeting, and being eligible, offers himself for re-election.
- 5) To approve the remuneration of the directors.
- 6) To authorise the directors to reappoint /appoint Auditors and agree their remuneration.
- 7) Any other such business of which duly notice has been served.

Special Business:

- 8) To re-appoint a Director:

Mr Nigel Graham Sandys-Lumsdaine attained the age of 70 on 9 November 2011, and retires by rotation at the sixty second Annual General Meeting scheduled for Thursday 23 August 2012.

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

"That Mr Nigel G. Sandys-Lumsdaine is hereby re-appointed a director pursuant to section 186 (5) of the Companies Act"

BY ORDER OF THE BOARD


GILBERT K MASAKI

SECRETARY

Tuesday June 05, 2012

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

CORPORATE INFORMATION

DIRECTORS

N G Sandys-Lumsdaine*	- Chairman
A L Carmichael*	- Managing Director
S.C.A Koech	- Retired on 18 th April 2012
S. N Thumbi	- Appointed on 18 th April 2012
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

The Acacia Block, 2nd Floor,
Karen Office Park, Langata Road
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
Williamson House, 9th Floor,
4th Ngong Avenue
P O Box 40111 - 00100
Nairobi

Walker Kontos
Hakika House
Bishops Road
P O Box 60680 - 00200
Nairobi

FINANCIAL HIGHLIGHTS

		2012	2011	2010	2009	2008
Tea Production						
Area under tea	Hectare	2,142	2,223	2,181	2,144	2,144
Made tea - own	'000 Kgs	6,981	7,514	7,501	6,420	5,256
- Bought leaf	'000 Kgs	7,966	8,159	7,140	3,646	3,129
Total	'000 Kgs	14,947	15,673	14,641	10,066	8,385
Tea sold	'000 Kgs	15,298	16,472	13,954	9,382	9,215
Average price per Kg gross Sh/Ct		214/87	194/51	190/33	148/34	117/74
Turnover (Sh'000)		3,607,409	3,284,909	2,723,187	1,489,982	1,185,755
Profit (Sh'000)						
Profit/(loss) before taxation		1,163,499	1,293,690	1,223,281	145,341	(143,984)
Taxation (charge)/credit		(308,759)	(409,305)	(347,226)	(35,471)	46,467
Profit/(loss) after taxation		854,740	884,385	876,055	109,870	(97,517)
Attributable to:						
Non - controlling interests		33,918	31,039	31,758	(631)	(10,780)
Equity holders of the parent		820,822	853,346	844,297	110,501	(86,737)
Retained profit/(loss) for the year		854,740	884,385	876,055	109,870	(97,517)
Capital employed (Sh'000)						
Assets (Sh'000)						
Property, plant & equipment		1,480,897	923,547	950,501	1,004,372	998,978
Investments and long term receivables		874,238	810,923	820,627	771,451	738,340
Current assets		2,447,223	2,326,779	1,929,587	915,042	602,701
Biological assets		2,440,869	1,971,494	1,627,991	1,230,300	1,240,306
Total assets		7,243,227	6,032,743	5,328,706	3,921,165	3,580,325
Medium and short term borrowings		91,082	83,048	124,811	208,572	123,622
Non current liabilities		159,859	145,125	123,098	106,868	122,497
Other current liabilities		932,086	633,477	872,780	389,147	221,997
Deferred income taxes		1,115,144	899,865	737,536	587,127	588,115
Total liabilities		2,298,171	1,761,515	1,858,225	1,291,714	1,056,231
Net assets		4,945,056	4,271,228	3,470,481	2,629,451	2,524,094
Financed by (Sh'000)						
Share capital		43,782	43,782	43,782	43,782	43,782
Reserves		4,735,718	4,093,198	3,316,470	2,507,198	2,401,075
Equity holders of parent company		4,779,500	4,136,980	3,360,252	2,550,980	2,444,857
Non - controlling interest		165,556	134,248	110,229	78,471	79,237
		4,945,056	4,271,228	3,470,481	2,629,451	2,524,094
Earnings/(loss) per share	Sh	93.74	97.46	96.42	12.62	(9.91)
Dividend per share	%	1,150	300	125	80	10
Dividend per share	Sh	57.50	15.00	6.25	4.00	0.50
Dividend cover	Times	1.63	6.50	15.43	3.15	-
Closing exchange rates	US \$	83.06	83.25	77.30	80.45	62.80
	UK £	132.75	134.03	116.58	115.12	125.21

CHAIRMAN'S STATEMENT

Results

I am pleased to report that the Group recorded a profit of Sh 537.7 million resulting from its operating activities.

Our Farms

The year under review saw reasonable weather conditions. A particularly wet period from September to December gave way to very dry and often cold weather from January to March 2012. The dry weather in the last quarter of the year, whilst normal and anticipated, contributed significantly to results. Adverse conditions during this time leave little scope for us to benefit agriculturally and overcome any shortfalls that may be experienced throughout the year. We are Farmers and when our crops decline, our costs go up.

The Group recorded a crop of 14.95 million kilos of made teas. Our relationships with green leaf smallholders and their contribution as partners in achieving our crop is once more warmly recognized here. Our plant subsidies continue and we have again expanded our capacity in the farm nurseries so as to service the smallholder farmer and assist them to plant tea and benefit from the favourable conditions currently being experienced. On a more cautionary note, whilst we hope that market conditions are strong enough to enable our Company to continue to compete in the market for smallholder leaf, the huge increase in green leaf prices over the past three years have added significantly to costs and should world tea prices decline or exchange rates reach un-favourable positions, we would be forced to rethink our green leaf purchase strategies.

Considerable work continues to go into managing our automated tea harvesting. Our workforce is now trained to operate sophisticated machinery and we have improved the quality of leaf harvested over the gains made last year to the continuing benefit of the Group and our customers. We would wish to emphasize that our workforce, our staff and our management, our human capital, remains our most prized asset. However, we have a clear commitment to progress, to generate and motivate a highly skilled workforce and industrialize to secure long term sustainability for the Group.

We continue to add value by planting new clones. These clones add diversification to our products and will, over time, add to our production strength as they replace older, lower yielding, teas. In addition, our ability to successfully meet customer demands in our factories is a source of great sales strength, about which a little more later.

Markets

Good global demand for much of the year has also culminated in the results you see before you. However Markets remain unpredictable and the Middle East and North African political scene leave us still with many uncertainties. The crisis in the Eurozone and pervading world economic gloom is evidence of the challenges that lie ahead.

Our customer base remains strong and the Company policy of selling to secure markets with few credit risks ensures that not only does our Company receive payment for their teas but also the thousands of smallholders that now rely upon us also receive their dues. Our investment in Rainforest Alliance, Fairtrade and UTZ accreditation has been supported by the majority of our smallholders also being accredited, and it remains true that a healthy percentage of our sales are as a direct result of investing in and adhering to good practice and the accreditation that follows this.

We are continuing to invest in plant and machinery, in our factories as well as the field as outlined above. One more factory will shortly complete the expansion of their withering facilities, this will better service the Orthodox market in particular, and other smaller, speciality markets. We are always seeking ways in which we can improve. If we succeed in this aim the beneficiaries will be our smallholders and our customers as well as your Company. We are constantly analyzing areas in which we can increase efficiencies and become even more competitive. The investment required to achieve these gains is considerable, and we are also mindful of the market forces that may affect our smallholders. However we are confident that we provide reliable and generous support to our partners and that they will wish to contribute to their own success through our secure innovation and investment and wish to be a part of our commitment.

The cost of our essential inputs, particularly electricity, fertilizers and our own workforce, continues to rise. 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.

CHAIRMAN'S STATEMENT (Continued)

Markets (Continued)

The cost of conducting business in Kenya continues to rise. In addition to the costs outlined last year we have been hit by a new levy. An Ad Valorem tax on the value of tea sold was imposed by our regulatory body, the Tea Board of Kenya in February 2012 and has increased our taxation burden as a tea exporter by 14%.

Before the next financial year is complete, we will have a new Government and new Local Councils. We trust and hope that good sense and prudence prevails over the taxation burdens placed on the private sector which employs so many people and supports thousands of others.

The arrival of the new Constitution was welcomed in August 2010. However, we remain shrouded in doubt as to the status of our existing leasehold Land Titles. We have legal advice the original Freehold titles changed to 99 year old lease hold titles at the promulgation of the new Constitution. And therefore all the Land held by the Group is of 99 year Leasehold which will have to be amortized at higher rate.

Outlook

With the prospect of an election looming, all comments on outlook have to be taken with the potential political uncertainty that such events may trigger. We remain very confident that the human areas for which we are responsible are peaceful and satisfied. Our smallholder partners are huge supporters of ours and local recognition of CSR projects is at an all time high.

Our ability to make good tea, deliver the tea on time anywhere in the world, supported by the foundations of transparency, through our commitment to International accreditation agencies, ethical policies, good governance and accountability will enable us to overcome potential future hurdles through our long term relationships with a range of customers. We envisage markets will rise and fall through the year but that similar to the previous year overall levels of demand should remain.

Further Industrial action from Union leaders can never be ruled out, however we trust our commitment to dialogue, fairness and good practice will assist in overcoming difficult issues and that our recent agreement to raise wages by 24% over twenty four months will be recognized as a commitment to our workforce.

Dividends

In view of the favorable results, and notwithstanding the huge interim dividend of KSh 50.00 per share, the Directors are recommending a final dividend payment of Sh 7.50 per share.

Crop / Market Price

During the year, the Group manufactured a total of 14.95 million kilos of Made Tea compared to 15.70 million kilos manufactured last year with continued strong support from our small tea growers.

The gross average tea price increased to Sh 214.87 per kilo from last year's gross average of KShs 194.51 Exchange rates remained in our favour and tea drinking appeared to retain its popularity, resisting the economic woes so prevalent around the globe.

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.

We have detailed our CSR activities for the year under review on the Williamson Tea website <http://williamson-tea.blogspot.co.uk/>

CHAIRMAN'S STATEMENT (Continued)

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 equipment to neighboring 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 crèches, 4 Primary Schools and 1 Secondary School together with bursary schemes for gifted students proceeding for 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 Sh 79 million on employees' pension, gratuities, leave and medical expenses over and above employees' direct wages. In addition, the Group incurred in excess of Sh 17 million on capital projects relating to employees welfare.

Appreciation

Finally, I would like to thank all our management staff, in particular Samuel Thumbi our Visiting Agent and the leadership of Ishmael Sang, Charles Agui and Sospeter Angira at Changoi, Tinderet and Kaimosi respectively. My thanks also go to our Nairobi Head Office staff together with the team at Williamson Power.

S.C.A Koech having reached 70 years has retired as a Director and we are delighted to welcome Samuel Thumbi in his place. Our sincere thanks to Solomon Koech who joined the Company in 1971 for his valuable contribution over the years.

Last but not least, I would like to thank my fellow Directors for their valuable contribution and advice.

NIGEL SANDYS-LUMSDAINE

CHAIRMAN

28 June 2012

STATEMENT OF CORPORATE GOVERNANCE

Corporate Governance is the process and structure used to direct and manage business affairs of the Group towards enhancing prosperity and corporate accounting with the ultimate objective of realizing shareholder long-term value while taking into account the interest of other stakeholders.

The Group is compliant in all areas of the corporate governance guidelines save for the facts of the Chairman not being an independent non-executive director, and the Governance and Audit Committee being composed of only two independent directors. The Chairman is a non-executive and is only deemed to be non-independent because he was the Managing Director until 2007. The desirability of increasing the number of non-executives on the Governance and Audit Committee is currently under consideration.

BOARD OF DIRECTORS

During the year, the Board consisted of seven directors, six of whom are non-executive directors including the Chairman. Among the non-executive directors are two independent directors. Mr. S.C.A Koech has retired since the year end. All the non-executive directors are subject to retirement by rotation and must seek re-election by shareholders at least once every three years in accordance with the Articles of Association. Among the non-executive directors, Mr. D.B.White and Mr. N.G.Sandys-Lumsdaine are 70 years or over. In accordance with the company's Articles of Association, Mr. N.G.Sandys-Lumsdaine retires by rotation and, special notice having been given pursuant to section 186(5) of the Companies Act, offers himself for re-election.

The composition of the Board is set with the aim of having a Board with an appropriate balance of skills and experience to support the Company's strategy and to lead the Company effectively.

There is a clear division of responsibility between the Chairman and the Managing Director. The Chairman is responsible for the leadership of the Board ensuring its effectiveness; and he sees that they are given appropriate and timely information to enable them to properly discharge their responsibilities. He also ensures effective communication with shareholders and facilitates relations between the different Board Members. The Managing Director is responsible for the day-to-day management of the Group and the execution of the strategy agreed by the Board.

The Board is responsible for formulating policies and strategies and ensuring that the business objectives, aimed at promoting and protecting shareholder value while taking into account the interest of other stakeholders 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 Board meets to review annual budgets, half-year and annual accounts and 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 its authority for conduct of the day-to-day business to the Managing Director 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 consideration of 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 directors before hand.

The Company Secretary is always available to the Board of Directors and is a member of both the Institute of Certified Public Accountant of Kenya (ICPAK) and Institute of Certified Public Secretaries of Kenya (ICPSK). The Head of finance is also a member of the Institute of Certified Public Accountant (ICPAK).

BOARD REMUNERATION

Non-executive directors are paid an annual fee together with a sitting allowance for every meeting attended. The aggregate amount of emoluments paid to directors for services rendered during the financial year are disclosed in note 4 to the financial statements.

STATEMENT OF CORPORATE GOVERNANCE (Continued)

DIRECTORS SHAREHOLDING

None of the directors as at end of the year March 2012 held shares in their individual capacity that were more than 1% of the company's total equity. The Directors interest in the shares of the Company as at 31st March 2012 is summarised below:

<u>Name</u>	<u>Number of Shares</u>
D B White	598
N G S Lumsdaine	500

COMMITTEES OF THE BOARD

The Board has three standing committees which meet under the terms of reference set by the Board.

Governance and Audit Committee

The Governance and Audit Committee was constituted by the Board in 1998 and comprises two non-executive directors. 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;
- Liasing with external auditors of the group.

Every year, the committee visits each of the Group's farms for a full day. In addition, the committee meets with the external auditors once every year and other times when deemed necessary.

Nominating Committee

The Board of the company has a nominating committee consisting of independent and non-executive directors. This committee is responsible for proposing new nominees for the Board and for assessing the performance and effectiveness of all the directors.

Staff and remuneration committee

There is a staff and remuneration committee consisting entirely of non-executive directors. The committee is responsible for the remuneration and incentives for the Board and the senior management and for the structure of remuneration packages and submits its recommendations to the Board.

INTERNAL CONTROLS

The Board is responsible for the Group's system of internal controls and for reviewing their effectiveness. The Group has defined procedures and financial controls to ensure the reporting of complete and accurate accounting information.

The systems in place are designed to ensure that authority is obtained for any major transaction and that the Group complies with all Kenyan 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 Group's Internal Auditor reviews policy, systems and procedures on a regular basis and reports to the Governance and Audit Committee of the Board and functionally to the Managing Director.

COMMUNICATION WITH SHAREHOLDERS

The Group is committed to ensuring that there is open and good communication with Shareholders through the Annual General Meeting, distribution of the Group's annual report and the release of notices in the press of its half yearly and annual results at the Company website: www.williamsontea.com

STATEMENT OF CORPORATE GOVERNANCE (Continued)

SHAREHOLDING PROFILES

The company through its registrar, files returns regularly in line with Capital Markets Authority and the Nairobi Securities Exchange under the listing regulations on transactions related to shareholders.

Principal shareholders

As at 31 March 2012 the top 10 major shareholders were as follows;

	Name	Location	No of shares	%
1.	Ngong Tea Holdings Limited	London	4,506,164	51.46
2.	Upstream Investments Limited	Nairobi	324,673	3.71
3.	Kirtesh P.Shah	Nairobi	260,821	2.98
4.	Standard Chartered Nominees Ltd A/C 9280 Nr	Nairobi	172,700	1.97
5.	Garot International Ltd	Nairobi	156,900	1.79
6.	Satchu Aly-Khan	Nairobi	121,200	1.38
7.	Standard Chartered 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 (EA) Ltd	Nairobi	77,366	0.88

Analysis of Shareholders

By region:

Region	Number	Shares held	%
Foreign shareholders	75	4,914,319	56.12
Local & East Africa shareholders (Individuals)	1,084	2,261,849	25.83
Local & East Africa shareholders (Institutional)	135	1,580,152	18.05
	<hr/>	<hr/>	<hr/>
	1,294	8,756,320	100.00
	<hr/>	<hr/>	<hr/>

By shares distribution:

Less than 500	601	148,613	1.70
500-10,000	617	1,287,488	14.70
10,001- 100,000	60	1,549,525	17.70
100,001-1,000,000	7	1,264,530	14.44
Above 1,000,000	1	4,506,164	51.46
	<hr/>	<hr/>	<hr/>
	1,294	8,756,320	100.00
	<hr/>	<hr/>	<hr/>

REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements of the Group for the year ended 31 March 2012.

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	1,163,499
Taxation charge	(308,759)
	<hr/>
Profit after taxation	854,740
	<hr/>
Attributable to:	
Owners of the company	820,822
Non-controlling interests	33,918
	<hr/>
Profit for the year	854,740
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DIVIDENDS

During the year, an interim dividend amounting to Sh 437,816,000 (2011 – Sh 21,890,800) which amounts to Sh 50.00 per share (2011 – Sh 2.50 per share) was paid. The Directors recommend that a final dividend of Sh 7.50 (2011 – Sh 12.50) per share equivalent to a total sum of Sh 87,563,200.00 (2011 – 109,454,000) be paid to the shareholders. The final dividend is subject to approval by the shareholders at the next Annual General Meeting.

DIRECTORS

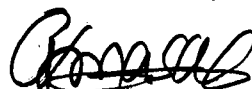
The current board of directors is shown on page 3. S.C.A. Koech resigned from the board on 18 April 2012 and S. N Thumbi appointed into the board on the same day.

Messrs. A.S Marsh and N.G. Sandys-Lumsdaine retire by rotation in accordance with section 108 of the company's Articles of Association and, being eligible, offers 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

28 June 2012

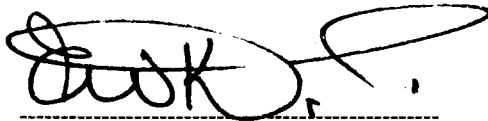
STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 of financial statements which give a true and fair view in accordance with International Financial Reporting Standards and the provisions of the Kenyan Companies Act, and for such internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments 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.



Director



Director

28 June 2012

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 15 to 69 which comprise the consolidated and company statements of financial position as at 31 March 2012, 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 of financial statements which give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, and for such internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an independent 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 about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, 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 effectiveness of 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 its subsidiaries as at 31 March 2012 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.

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

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 is in agreement with the books of account.



Certified Public Accountants (Kenya)

28 June 2012

Nairobi

WILLIAMSON TEA KENYA LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2012

	Note	2012 Sh' 000	2011 Sh' 000
REVENUE	3(e)	3,607,409	3,284,909
FAIR VALUE CHANGES	-Tea bushes -Timber trees	221,501 58,774	399,741 (52,484)
		<hr/> 3,887,684	<hr/> 3,632,166
COST OF SALES		(2,734,835)	(2,394,435)
		<hr/>	<hr/>
GROSS PROFIT		1,152,849	1,237,731
Other income	6	280,368	82,751
Fair value gain on investment property	15	-	225,000
Fair value changes	- firewood	160,669	(13,434)
Distribution costs		(280,753)	(266,780)
Administrative expenses		(142,689)	(108,082)
Finance costs	7	(4,072)	(9,165)
Net foreign exchange differences		(47,408)	39,493
Share of results of associate companies	16	44,535	106,176
		<hr/>	<hr/>
PROFIT BEFORE TAXATION	4	1,163,499	1,293,690
TAXATION CHARGE	8	(308,759)	(409,305)
		<hr/>	<hr/>
PROFIT FOR THE YEAR	9	854,740	884,385
		<hr/>	<hr/>
COMPRISING:			
Profit arising from operating activities		537,723	642,849
Profit arising from changes in fair value of biological assets (net of attributable taxation)		283,099	210,497
		<hr/> 820,822	<hr/> 853,346
Non - controlling interests			
- From operating activities	27	8,356	7,859
- From changes in fair value of biological assets	27	25,562	23,180
		<hr/> 33,918	<hr/> 31,039
		<hr/>	<hr/>
PROFIT FOR THE YEAR		854,740	884,385
		<hr/>	<hr/>

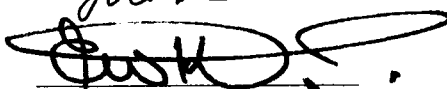
WILLIAMSON TEA KENYA LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2012 (Continued)


	Note	2012 Sh' 000	2011 Sh' 000
OTHER COMPREHENSIVE INCOME			
Surplus on revaluation of property and equipment		465,717	-
Deferred tax on revaluation surplus		(139,715)	-
Share of other comprehensive income of associate company		42,966	-
		<u> </u>	<u> </u>
TOTAL OTHER COMPREHENSIVE INCOME		368,968	-
		<u> </u>	<u> </u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,223,708	884,385
		<u> </u>	<u> </u>
PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
Equity holders of the company		820,822	853,346
Non - controlling interests	27	33,918	31,039
		<u> </u>	<u> </u>
		854,740	884,385
		<u> </u>	<u> </u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Equity holders of the company		1,189,790	853,346
Non - controlling interests	27	33,918	31,039
		<u> </u>	<u> </u>
		1,223,708	884,385
		<u> </u>	<u> </u>
EARNINGS PER SHARE - Basic and diluted			
	10	93.74	97.46
		<u> </u>	<u> </u>

WILLIAMSON TEA KENYA LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 MARCH 2012

	Note	2012 Sh'000	2011 Sh'000
ASSETS			
Non current assets			
Property, plant and equipment	12	1,480,897	923,547
Intangible assets	13	2,045	849
Prepaid operating leases	14	76,878	76,962
Investment property	15	345,500	345,500
Investment in associate companies	16	448,466	386,263
Other investments	18	1,349	1,349
Biological assets	19	2,440,869	1,971,494
		<u>4,796,004</u>	<u>3,705,964</u>
Current assets			
Inventories	20	357,901	318,958
Trade and other receivables	21	1,215,558	830,866
Due from associate companies	22(a)	85,005	35,835
Taxation recoverable	8(c)	34,242	6,009
Short term deposits	24	630,339	481,200
Cash and bank balances	34(d)	124,178	359,096
		<u>2,447,223</u>	<u>2,031,964</u>
Non – current assets classified as held for sale	25	-	294,815
		<u>2,447,223</u>	<u>2,326,779</u>
Total assets		<u><u>7,243,227</u></u>	<u><u>6,032,743</u></u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	26	43,782	43,782
Revaluation surplus		586,797	239,867
Revenue reserve		4,148,921	3,853,331
		<u>4,779,500</u>	<u>4,136,980</u>
Equity attributable to equity holders of parent company			
Non – controlling interests	27	165,556	134,248
		<u>4,945,056</u>	<u>4,271,228</u>
Total equity		<u>4,945,056</u>	<u>4,271,228</u>
Non current liabilities			
Deferred taxation	28	1,115,144	899,865
Service gratuity	29	159,859	145,125
Finance lease obligations	31	5,965	29,129
		<u>1,280,968</u>	<u>1,074,119</u>
Current liabilities			
Borrowings	30	59,715	14,618
Finance lease obligations	31	25,402	39,301
Trade and other payables	32	922,367	612,037
Due to associate company	22(d)	4,256	2,542
Unclaimed dividends	33	4,299	4,268
Taxation payable	8(c)	1,164	14,630
		<u>1,017,203</u>	<u>687,396</u>
Total equity and liabilities		<u><u>7,243,227</u></u>	<u><u>6,032,743</u></u>

The financial statements on pages 15 to 69 were approved and authorised for issue by the board of directors on 28 June 2012 and were signed on its behalf by:

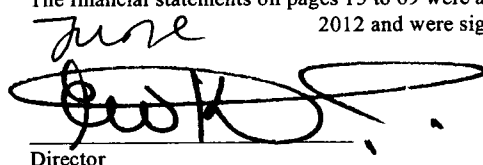

Director

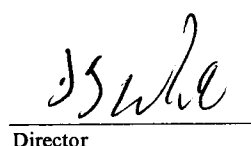

Director

WILLIAMSON TEA KENYA LIMITED
COMPANY STATEMENT OF FINANCIAL POSITION
31 MARCH 2012

	Note	2012 Sh'000	2011 Sh'000
ASSETS			
Non current assets			
Property, plant and equipment	12	671,798	383,420
Intangible assets	13	1,148	390
Prepaid operating leases	14	11,772	11,786
Investment property	15	345,500	345,500
Investment in associate companies	16	49,479	49,479
Investment in subsidiary companies	17	109,877	109,877
Other investments	18	546	546
Biological assets	19	1,077,393	930,231
		<u>2,267,513</u>	<u>1,831,229</u>
Current assets			
Inventories	20	112,743	137,442
Trade and other receivables	21	468,983	339,830
Due from associate companies	22(a)	81,010	32,091
Due from subsidiary companies	22(b)	210,126	93,719
Loans to subsidiary company	23	-	38,929
Taxation recoverable	8(c)	1,411	919
Short term deposits	24	427,118	345,514
Cash and bank balances		76,468	144,548
		<u>1,377,859</u>	<u>1,132,992</u>
Non – current assets classified as held for sale	25	-	305,358
		<u>1,377,859</u>	<u>1,438,350</u>
Total assets		<u><u>3,645,372</u></u>	<u><u>3,269,579</u></u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	26	43,782	43,782
Revaluation surplus		270,745	116,797
Revenue reserve		2,380,472	2,336,686
		<u>2,694,999</u>	<u>2,497,265</u>
Shareholders' funds			
		<u>2,694,999</u>	<u>2,497,265</u>
Non current liabilities			
Deferred taxation	28	544,529	476,355
Service gratuity	29	54,990	50,574
		<u>599,519</u>	<u>526,929</u>
Current liabilities			
Borrowings	30	-	2,953
Finance lease obligations	31	-	2,616
Trade and other payables	32	315,327	210,911
Due to subsidiary companies	22(c)	31,228	24,637
Unclaimed dividends	33	4,299	4,268
		<u>350,854</u>	<u>245,385</u>
Total equity and liabilities		<u><u>3,645,372</u></u>	<u><u>3,269,579</u></u>

The financial statements on pages 15 to 69 were approved and authorised for issue by the board of directors on 28
2012 and were signed on its behalf by:


Director


Director

WILLIAMSON TEA KENYA LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2012

	Note	Share capital Sh'000	Revaluation surplus Sh'000	Biological assets gains Sh'000	Revenue reserve	Equity attributable to equity holders of the parent Sh'000	Non -Controlling interests Sh'000	Total Sh'000
At 1 April 2010		43,782	261,195	738,035	2,317,240	3,360,252	110,229	3,470,481
Total profit and comprehensive income for the year		-	-	210,497	642,849	853,346	31,039	884,385
Excess depreciation transfer		-	(30,547)	-	30,547	-	-	-
Deferred tax on excess depreciation		-	9,164	-	(9,164)	-	-	-
Surplus realised on disposal of revalued assets		-	78	-	(78)	-	-	-
Deferred tax on revaluation surplus realised on disposal of revalued assets		-	(23)	-	23	-	-	-
Final dividends declared - 2010	33	-	-	-	(54,727)	(54,727)	(7,020)	(61,747)
Interim dividends declared - 2011	33	-	-	-	(21,891)	(21,891)	-	(21,891)
At 31 March 2011		43,782	239,867	948,532	2,904,799	4,136,980	134,248	4,271,228
At 1 April 2011		43,782	239,867	948,532	2,904,799	4,136,980	134,248	4,271,228
Profit for the year		-	-	283,099	537,723	820,822	33,918	854,740
Other comprehensive income		-	368,968	-	-	368,968	-	368,968
Total comprehensive income for the year		-	368,968	283,099	537,723	1,189,790	33,918	1,223,708
Excess depreciation transfer		-	(31,483)	-	31,483	-	-	-
Deferred tax on excess depreciation		-	9,445	-	(9,445)	-	-	-
Final dividends declared - 2011	33	-	-	-	(109,454)	(109,454)	(2,610)	(112,064)
Interim dividends declared - 2012	33	-	-	-	(437,816)	(437,816)	-	(437,816)
At 31 March 2012		43,782	586,797	1,231,631	2,917,290	4,779,500	165,556	4,945,056

Revaluation reserve is made up of the periodic adjustment arising from the revaluation of property and equipment. The reserve is not available for distribution to the shareholders.

The revenue reserve on biological assets represents surplus arising from fair valuation of biological assets in line with IAS 41 on Agriculture. The reserve is not available for distribution to the shareholders.

Other revenue reserves represents accumulated surplus arising from other normal operating activities. The reserves are available for distribution to the shareholders.

WILLIAMSON TEA KENYA LIMITED
COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2012

	Note	Share capital Sh'000	Revaluation surplus Sh'000	Biological assets gains Sh'000	Revenue reserve	Total Sh'000
At 1 April 2010		43,782	130,606	372,583	1,404,676	1,951,647
Total profit and comprehensive income for the year		-	-	119,988	502,248	622,236
Excess depreciation transfer		-	(19,727)	-	19,727	-
Deferred tax on excess depreciation		-	5,918	-	(5,918)	-
Final dividends declared – 2011	33	-	-	-	(54,727)	(54,727)
Interim dividends declared – 2012	33	-	-	-	(21,891)	(21,891)
At 31 March 2011		43,782	116,797	492,571	1,844,115	2,497,265
At 1 April 2011		43,782	116,797	492,571	1,844,115	2,497,265
Profit for the year		-	-	98,772	475,463	574,235
Other comprehensive income		-	170,769	-	-	170,769
Total comprehensive income for the year		-	170,769	98,772	475,463	745,004
Excess depreciation transfer		-	(24,030)	-	24,030	-
Deferred tax on excess depreciation		-	7,209	-	(7,209)	-
Final dividends declared – 2011	33	-	-	-	(109,454)	(109,454)
Interim dividends declared – 2012	33	-	-	-	(437,816)	(437,816)
At 31 March 2012		43,782	270,745	591,343	1,789,129	2,694,999

Revaluation reserve is made up of the periodic adjustment arising from the revaluation of property and equipment. The reserve is not available for distribution to the shareholders.
The revenue reserve on biological assets represents surplus arising from fair valuation of biological assets in line with IAS 41 on Agriculture. The reserve is not available for distribution to the shareholders.

Other revenue reserves represents accumulated surplus arising from other normal operating activities. The reserves are available for distribution to the shareholders.

WILLIAMSON TEA KENYA LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2012

	Note	2012 Sh'000	2011 Sh'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	34(a)	396,724	927,566
Interest received	6	103,119	14,873
Interest paid	7	(4,072)	(9,165)
Taxation paid	8(c)	(261,203)	(342,711)
		<hr/>	<hr/>
Net cash generated from operating activities		234,568	590,563
		<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	12	(221,890)	(99,596)
Purchase of intangible assets	13	(1,781)	(950)
Proceeds from disposal of property, plant and equipment		12,700	15,971
Proceeds from disposal of investment property and associate company		452,665	-
Net expenditure on biological assets	19	(28,431)	(9,680)
Dividend received - from associate company	16	11,607	11,607
- other		-	542
		<hr/>	<hr/>
Net cash generated from/(used in) investing activities		224,870	(82,106)
		<hr/>	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans repaid	34(b)	(19,031)	(17,274)
Asset finance loans repaid	34(c)	(36,052)	(27,831)
Dividends paid to shareholders	33	(547,239)	(76,767)
Dividends paid to minority interest	27	(2,610)	(7,020)
		<hr/>	<hr/>
Net cash used in financing activities		(604,932)	(128,892)
		<hr/>	<hr/>
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(145,494)	379,565
CASH AND CASH EQUIVALENTS AT 1 APRIL		840,296	460,731
		<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT 31 MARCH	34(d)	694,802	840,296
		=====	=====

WILLIAMSON TEA KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

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/equivalent to the statement of financial position and the profit and loss account is presented in the statement of comprehensive income.

Application of new and revised International Financial Reporting Standards (IFRSs)

(i) *Relevant new standards and amendments to published standards effective for the year ended 31 March 2012*

The following new and revised IFRSs were effective in the current year and had no material impact on the amounts reported in these financial statements.

Amendments to IAS 1
Presentation of Financial
Statements (as part of
Improvements to IFRSs issued in
2010)

The amendments to IAS 1 clarify that an entity may choose to disclose an analysis of other comprehensive income by item in the statement of changes in equity or in the notes to the financial statements. The Group continued to disclose such items in the statement of changes in equity and the amendment had no effect on the Group's financial statements.

IAS 24, Related Party Disclosures
(as revised in 2010)

IAS 24 (as revised in 2010) has been revised on the following two aspects: (a) IAS 24 (as revised in 2010) has changed the definition of a related party and (b) IAS 24 (as revised in 2010) introduces a partial exemption from the disclosure requirements for government-related entities.

The Group is not a government-related entity. The application of the revised definition of related party set out in IAS 24 (as revised in 2010) in the current year has not resulted in the identification of related parties that were not identified as related parties under the previous Standard.

Amendments to IAS 32
Classification of Rights Issues

The amendments address the classification of certain rights issues denominated in a foreign currency as either equity instruments or as financial liabilities. Under the amendments, rights, options or warrants issued by an entity for the holders to acquire a fixed number of the entity's equity instruments for a fixed amount of any currency are classified as equity instruments in the financial statements of the entity provided that the offer is made pro rata to all of its existing owners of the same class of its non-derivative equity instruments. Before the amendments to IAS 32, rights, options or warrants to acquire a fixed number of an entity's equity instruments for a fixed amount in foreign currency were classified as derivatives. The amendments require retrospective application.

The application of the amendments has had no effect on the amounts reported in the current and prior years because the Group has not issued instruments of this nature.

WILLIAMSON TEA KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 ACCOUNTING POLICIES (continued)

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

- (i) *Relevant new standards and amendments to published standards effective for the year ended 31 December 2011 (Continued)*

Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement

IFRIC 14 addresses when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of IAS 19; how minimum funding requirements might affect the availability of reductions in future contributions; and when minimum funding requirements might give rise to a liability. The amendments now allow recognition of an asset in the form of prepaid minimum funding contributions.

The application of the amendments had no effect on the Group's financial statements.

IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments

The Interpretation provides guidance on the accounting for the extinguishment of a financial liability by the issue of equity instruments. Specifically, under IFRIC 19, equity instruments issued under such arrangement will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the consideration paid will be recognised in profit or loss.

The application of IFRIC 19 has had no effect on the amounts reported in the current and prior years because the Group has not entered into any transactions of this nature.

Improvements to IFRSs issued in 2010

The application of Improvements to IFRSs issued in 2010 has not had any material effect on amounts reported in the Group's financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (Continued)

Adoption of new and revised International Financial Reporting Standards (IFRS) (Continued)*(ii) Relevant new and amended standards and interpretations in issue but not yet effective in the year ended 31 March 2012*

	Effective for annual periods beginning on or after
IFRS 7, Financial Instruments: Disclosures – Amendments enhancing disclosures about offsetting financial assets and financial liabilities	1 January 2013
IFRS 9, Financial Instruments – Classification and Measurement of financial assets	1 January 2015
IFRS 9, Financial Instruments – Accounting for financial liabilities and derecognition	1 January 2015
IFRS 10, Consolidated Financial Statements	1 January 2013
IFRS 11, Joint Arrangements	1 January 2013
IFRS 12, Disclosure of Interests in Other Entities	1 January 2013
IFRS 13, Fair Value Measurement	1 January 2013
IAS 1, Presentation of Financial Statements – presentation of items of other comprehensive income	1 July 2012
IAS 12, Income Taxes - Limited scope amendment (recovery of underlying assets)	1 January 2012
IAS 27, Separate Financial Statements (2011)	1 January 2013
IAS 28, Investments in Associates and Joint Ventures (2011)	1 January 2013
IAS 32, Financial Instruments: Presentation – Amendments to application guidance on the offsetting of financial assets and financial liabilities	1 January 2014

(iii) Impact of relevant new and amended standards and interpretations on the financial statements for the year ended 31 March 2012 and future annual periods

- **IFRS 9, Financial Instruments**

IFRS 9 *Financial Instruments* issued in November 2010 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for de-recognition.

IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES (Continued)

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

(iii) *Impact of relevant new and amended standards and interpretations on the financial statements for the year ended 31 March 2012 and future annual periods (Continued)*

- **IFRS 9, Financial Instruments (Continued)**

The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

IFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted. The directors anticipate that IFRS 9 will be adopted in the Group's financial statements for the annual period beginning 1 January 2015 and that the application of IFRS 9 may have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities (e.g the Group will classify financial assets as subsequently measured at either amortised cost or fair value). However, it is not practicable to provide a reasonable estimate of that effect until a detailed review is done.

- **IFRS 10 Consolidated financial statements**

IFRS 10 requires a parent to present consolidated financial statements as those of a single economic entity, replacing the requirements previously contained in IAS 27 'Consolidated and Separate Financial Statements' and SIC-12 'Consolidation - Special Purpose Entities'.

The standard identifies the principles of control, determines how to identify whether an investor controls an investee and therefore must consolidate the investee, and sets out the principles for the preparation of consolidated financial statements. The Standard introduces a single consolidation model for all entities based on control, irrespective of the nature of the investee (i.e. whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in 'special purpose entities'). Under IFRS 10, control is based on whether an investor has:

- power over the investee
- exposure, or rights, to variable returns from its involvement with the investee, and
- the ability to use its power over the investee to affect the amount of the returns.

The directors anticipate that the adoption of this new standard will not materially affect the amounts reported in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES (Continued)

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

iii) *Impact of relevant new and amended standards and interpretations on the financial statements for the year ended 31 March 2012 and future annual periods (continued)*

- **IFRS 11, Joint Arrangements**

IFRS 11 replaces IAS 31 Interests in Joint Ventures. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. SIC-13 Jointly Controlled Entities – Non-monetary Contributions by Venturers has been withdrawn upon the issuance of IFRS 11. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

The standard is effective for annual periods beginning on or after 1 January 2013. The Group will apply this amendment prospectively. The directors anticipate that the adoption of this new standard will not materially affect the amounts reported in the financial statements. However, the Group will apply this standard to any such arrangements entered into the course of operations.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 requires the extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

In high-level terms, the required disclosures are grouped into the following broad categories:

- Significant judgements and assumptions - such as how control, joint control, significant influence has been determined
- Interests in subsidiaries - including details of the structure of the group, risks associated with structured entities, changes in control, and so on
- Interests in joint arrangements and associates - the nature, extent and financial effects of interests in joint arrangements and associates (including names, details and summarised financial information)
- Interests in unconsolidated structured entities - information to allow an understanding of the nature and extent of interests in unconsolidated structured entities and to evaluate the nature of, and changes in, the risks associated with its interests in unconsolidated structured entities

IFRS 12 lists specific examples and additional disclosures which further expand upon each of these disclosure objectives, and includes other guidance on the extensive disclosures required.

The directors anticipate that IFRS 12 will be adopted in the Group's financial statements for the annual period beginning 1 January 2013 and that the application of the new standard would result in more extensive disclosures in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES (Continued)

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

iii) *Impact of relevant new and amended standards and interpretations on the financial statements for the year ended 31 December 2011 and future annual periods (continued)*

• **IFRS 13 Fair Value Measurements**

IFRS 13 replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard. The IFRS is the result of joint efforts by the IASB and FASB to develop a converged fair value framework. The IFRS defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. However, IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value.

IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements).

With some exceptions, the standard requires entities to classify these measurements into a 'fair value hierarchy' based on the nature of the inputs:

- Level 1 - quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 - inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 - unobservable inputs for the asset or liability.

The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 Financial Instruments: Disclosures will be extended by IFRS 13 to cover all assets and liabilities within its scope.

The directors anticipate that the application of the new Standard may affect the amounts reported in the financial statements and result in more extensive disclosures in the financial statements, however, the Group is yet to assess IFRS 13's full impact and intends to adopt the standard no later than the accounting period beginning on or after 1 January 2013.

• **IAS 28, Investments in Associates and Joint Ventures (2011)**

This standard supersedes IAS 28, Investments in Associates, and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

The standard defines 'significant influence' and provides guidance on how the equity method of accounting is to be applied (including exemptions from applying the equity method in some cases). It also prescribes how investments in associates and joint ventures should be tested for impairment.

The standard is effective for annual periods beginning on or after 1 January 2013. The Group will apply this amendment prospectively. The directors, however, anticipate no material impact to the Group's financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES (Continued)

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

iii) *Impact of relevant new and amended standards and interpretations on the financial statements for the year ended 31 December 2011 and future annual periods (continued)*

- **IAS 27 Separate Financial Statements (2011)**

Amended version of IAS 27 which now only deals with the requirements for separate financial statements, which have been carried over largely unamended from IAS 27 Consolidated and Separate Financial Statements. Requirements for consolidated financial statements are now contained in IFRS 10 Consolidated Financial Statements.

The Standard requires that when an entity prepares separate financial statements, investments in subsidiaries, associates, and jointly controlled entities are accounted for either at cost, or in accordance with IFRS 9 Financial Instruments.

The Standard also deals with the recognition of dividends, certain group reorganisations and includes a number of disclosure requirements.

The standard is effective for annual periods beginning on or after 1 January 2013. The Group will apply this amendment prospectively. The directors anticipate no material impact to the Group's financial statements.

- **Disclosures — Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)**

Amends the disclosure requirements in IFRS 7 *Financial Instruments*: Disclosure to require information about all recognised financial instruments that are set off in accordance with paragraph 42 of IAS 32 *Financial Instruments*: Presentation.

The amendments also require disclosure of information about recognised financial instruments subject to enforceable master netting arrangements and similar agreements even if they are not set off under IAS 32. The IASB believes that these disclosures will allow financial statement users to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with an entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

The above amendments are generally effective for annual periods beginning on or after 1 January 2013. The Group will apply the amendments prospectively. The directors anticipate no material impact to the Group's financial statements.

- **Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)**

Amends IAS 32 *Financial Instruments*: Presentation to clarify certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas:

- the meaning of 'currently has a legally enforceable right of set-off'
- the application of simultaneous realisation and settlement
- the offsetting of collateral amounts
- the unit of account for applying the offsetting requirements.

The above amendments are generally effective for annual periods beginning on or after 1 January 2013. The Group will apply the amendments prospectively. The directors anticipate no material impact to the Group's financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES (Continued)

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

iii) *Impact of relevant new and amended standards and interpretations on the financial statements for the year ended 31 December 2011 and future annual periods (continued)*

- **Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12)**

These amend IAS 12, Income Taxes, to provide a presumption that recovery of the carrying amount of an asset measured using the fair value model in IAS 40, Investment Property, will normally be through sale. As a result of the amendments, SIC-21, Income Taxes — Recovery of Revalued Non-Depreciable Assets, would no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC-21, which is accordingly withdrawn.

The above amendments are generally effective for annual periods beginning on or after 1 January 2012. The Group will apply this amendment prospectively. The directors anticipate no material impact to the Group's financial statements currently. However, the Group would have to apply this standard to any such arrangements entered into in the future.

- **Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)**

These amend IAS 1, Presentation of Financial Statements, to revise the way other comprehensive income is presented.

The amendments:

- Preserve the amendments made to IAS 1 in 2007 to require profit or loss and Other comprehensive Income (OCI) to be presented together, i.e. either as a single 'statement of profit or loss and comprehensive income', or a separate 'statement of profit or loss' and a 'statement of comprehensive income' – rather than requiring a single continuous statement.
- Require entities to group items presented in OCI based on whether they are potentially reclassifiable to profit or loss subsequently. i.e. those that might be reclassified and those that will not be reclassified.
- Require tax associated with items presented before tax to be shown separately for each of the two groups of OCI items (without changing the option to present items of OCI either before tax or net of tax).

The above amendments are generally effective for annual periods beginning on or after 1 July 2012. The Group will apply the amendments prospectively. Other than presentation, the directors anticipate no material impact to the Group's financial statements.

(iv) ***Early adoption of standards***

The Group did not early-adopt any new or amended standards in 2012.

WILLIAMSON TEA KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES (Continued)

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 intercompany 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 17, and include the Group's share of the results of the associate companies as disclosed in note 16, 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. Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified.

Investments in subsidiary companies in the company's books are carried at cost less provision for impairment.

Investments in associate companies

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES (Continued)

Investments in associate companies (Continued)

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with IAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Non – current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (Continued)

Inventories

Made tea inventories are stated at the lower of cost and net realisable value. Made tea inventory costs comprise fair value of tea leaf less point of sale costs at the point of harvest and actual costs incurred at the factory in the processing of made tea from tea leaf. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

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.

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 reverses 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.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to rise from the continued use of the 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (continued)

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.

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.

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 properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (continued)

Taxation

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

(i) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

(ii) Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

(iii) Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for business combination.

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 day's 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 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.

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 recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

Financial instruments

A financial asset or liability is recognised when the Group 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.

(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 Group has the positive intent and ability to hold to maturity other than loans and receivables originated by the Group 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (continued)

Financial instruments (Continued)

Financial assets (Continued)

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.

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.

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.

De-recognition of financial assets

Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset’s carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

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.

Derecognition of financial liabilities

A financial liability is derecognised when its contractual obligations are redeemed or otherwise extinguished. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Offsetting

Financial instrument are set off and the net amount reported in the statement of financial position when there is a legal right to set off the amounts and there is an intention to settle on a net basis or to realise the assets and settle the liability simultaneously.

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.

Operating segments

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 allocate 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 Group'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 judgments in applying the Group's accounting policies

Held to maturity investments

The Group 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 judgment. In making this judgment, 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.

Impairment losses

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 recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Any impairment losses are recognised immediately. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount. A reversal of an impairment loss other than that arising from goodwill, is recognised as income immediately.

(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.

WILLIAMSON TEA KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 SEGMENTAL INFORMATION

a) Products and services from which reportable segments derive their revenues

In accordance with IFRS 8, Operating segments, information reported to the Group's chief operating decision makers (the Board of Directors) for the purposes of resource allocation and assessment of segment performance is focussed on the principal activities and the products offered by the Group.

The identifiable reporting segments of the Group therefore are:

- The cultivation, manufacture and sale of tea.
- Investment in property.
- Sale and servicing of generators.

b) Measurement of operating segment profit or loss, assets and liabilities

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies in note 1.

Williamson Tea Kenya accounts for intersegment sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices.

c) Segment revenues and results, assets and liabilities and other information

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
2012				
Revenues and results				
Revenue	3,519,971	14,604	72,834	3,607,409
Other income	280,368	-	-	280,368
Finance costs	4,072	-	-	4,072
Profit before tax (excluding associate)	1,104,460	14,049	455	1,118,964
Group's share of associate companies' results before tax	44,535	-	-	44,535
Assets and liabilities				
Segment assets	6,825,622	345,500	72,105	7,243,227
Segment liabilities	2,278,341	-	19,865	2,298,206
Other information				
Depreciation	123,177	-	2,015	125,192
Amortisation of prepaid operating lease	84	-	-	84
Amortisation of intangible assets	585	-	-	585
Capital expenditure	221,846	-	44	221,890

WILLIAMSON TEA KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 SEGMENTAL INFORMATION (Continued)

c) Segment revenues and results, assets and liabilities and other information (Continued)

	Tea Sh'000	Property Sh'000	Generator trading Sh'000	Group Sh'000
2011				
Revenues and results				
Revenue	3,197,700	38,034	49,175	3,284,909
Fair value gain on investment property	-	225,000	-	225,000
Other income	82,273	-	478	82,751
Finance costs	9,165	-	-	9,165
Profit before tax (excluding associate)	868,039	318,817	658	1,187,514
Group's share of associate companies' results before tax	106,176	-	-	106,176
Assets and liabilities				
Segment assets	5,346,602	620,500	65,641	6,032,743
Segment liabilities	1,747,659	-	13,856	1,761,515
Other information				
Depreciation	107,155	-	1,402	108,557
Amortisation of prepaid operating lease	84	-	-	84
Amortisation of intangible assets	2,794	-	333	3,127
Capital expenditure	50,637	-	2,168	52,805

Revenue reported above represents revenue generated from external customers.

Some of the revenue from the property segment was earned from Williamson Tea Kenya's investment in Williamson House. An agreement was entered to sell the investment property during the year ended 31 March 2011 and the sale of Williamson House was concluded during the year ended 31 March 2012.

d) Information on major customers

Included in revenue and other income arising from the cultivation, manufacture and sale of tea business of Sh 3,607,409,000 (2011: Sh 3,284,909,000) is revenue of approximately Sh 2,466,379,000 (2011: Sh 3,117,454,000) which arose from a related company which is also the Group's largest customer.

e) Geographical information

The Group is based in Kenya and hence all its assets are located in Kenya. However, the Group's revenue is derived from the following markets:

	2012 Sh'000	2011 Sh'000
Global markets	3,466,379	3,117,454
Kenya	141,030	167,455
	<u>3,607,409</u>	<u>3,284,909</u>

WILLIAMSON TEA KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2012 Sh'000	2011 Sh'000
4 PROFIT BEFORE TAXATION		
The profit before taxation is arrived at after charging:		
Amortisation of leasehold property (note 14)	84	84
Amortisation of intangible assets (note 13)	585	3,127
Depreciation of property and equipment (note 12)	125,192	108,557
Directors' remuneration:		
Non – executive		
Fees	1,088	1,500
Other emoluments	-	-
Executive	16,995	15,840
Staff costs (note 5)	609,490	647,626
Auditors' remuneration	5,483	5,483
Loss on disposal of property, plant and equipment	-	2,022
	<u> </u>	<u> </u>
and after crediting:		
Operating lease rental income	14,604	38,034
Fair value of agricultural produce harvested during the year	859,365	504,294
Dividend income	11,607	11,607
Gain on disposal of property, plant and equipment	7,635	-
Gain on disposal of investment property and associate company	157,850	-
	<u> </u>	<u> </u>
5 STAFF COSTS		
Wages and salaries	510,336	561,258
Social security costs (NSSF)	7,291	8,886
Pension costs (defined contribution plan)	6,737	6,151
Service gratuity and other terminal benefits	43,493	31,995
Leave pay	26,170	24,833
Medical expenses	15,463	14,503
	<u> </u>	<u> </u>
	609,490	647,626
	<u> </u>	<u> </u>
6 OTHER INCOME		
Gain on sale of investment property and associate company	157,850	-
Interest on term deposits	103,119	14,873
Miscellaneous income	19,399	67,878
	<u> </u>	<u> </u>
	280,368	82,751
	<u> </u>	<u> </u>
7 FINANCE COSTS		
Interest expense on:		
- bank overdrafts	1,245	491
- bank loans	2,691	2,588
- Group loans	136	6,086
	<u> </u>	<u> </u>
	4,072	9,165
	<u> </u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	GROUP		COMPANY	
	2012 Sh'000	2011 Sh'000	2012 Sh'000	2011 Sh'000
8 TAXATION				
(a) TAXATION CHARGE				
Current taxation based on the adjusted profit at 30%				
- current year	220,216	213,032	164,736	132,041
- prior year (over)/under provision	(712)	1,747	(919)	2,802
	<u>219,504</u>	<u>214,779</u>	<u>163,817</u>	<u>134,843</u>
Deferred taxation charge (note 28)				
- current year	74,563	148,159	(5,645)	108,649
- prior year underprovision	1,001	14,170	547	10,628
	<u>75,564</u>	<u>162,329</u>	<u>(5,098)</u>	<u>119,277</u>
	<u>295,068</u>	<u>377,108</u>	<u>158,719</u>	<u>254,120</u>
Share of associate company's taxation (note 16):				
Current taxation	13,579	13,361	-	-
Deferred taxation charge	112	18,836	-	-
	<u>13,691</u>	<u>32,197</u>	<u>-</u>	<u>-</u>
Taxation charge	<u><u>308,759</u></u>	<u><u>409,305</u></u>	<u><u>158,719</u></u>	<u><u>254,120</u></u>
(b) RECONCILIATION OF EXPECTED TAX BASED ON ACCOUNTING PROFIT TO TAX CHARGE				
Accounting profit before taxation	<u>1,163,499</u>	<u>1,293,690</u>	<u>732,954</u>	<u>876,356</u>
Tax at the applicable rate of 30%	349,050	388,107	219,887	262,906
Tax effect of expenses not deductible for tax purposes	20,491	5,520	5,686	3,024
Tax effect of income not taxable	(61,071)	(239)	(66,482)	(25,240)
Prior year under/(over) provision of current tax	(712)	1,747	(919)	2,802
Prior year underprovision of deferred tax	1,001	14,170	547	10,628
Taxation charge	<u><u>308,759</u></u>	<u><u>409,305</u></u>	<u><u>158,719</u></u>	<u><u>254,120</u></u>

WILLIAMSON TEA KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8 TAXATION (Continued)

	GROUP		COMPANY	
	2012	2011	2012	2011
	Sh'000	Sh'000	Sh'000	Sh'000
(c) TAX MOVEMENT				
At beginning of the year:				
Taxation payable	14,630	139,231	-	85,169
Taxation recoverable	(6,009)	(2,678)	(919)	-
	<u>8,621</u>	<u>136,553</u>	<u>(919)</u>	<u>85,169</u>
Taxation charge	219,504	214,779	163,817	134,843
Taxation paid	(261,203)	(342,711)	(164,309)	(220,931)
	<u></u>	<u></u>	<u></u>	<u></u>
At end of the year				
Net tax (recoverable)/payable	(33,078)	8,621	(1,411)	(919)
	<u>(33,078)</u>	<u>8,621</u>	<u>(1,411)</u>	<u>(919)</u>
Comprising:				
Taxation payable	1,164	14,630	-	-
Taxation recoverable	(34,242)	(6,009)	(1,411)	(919)
	<u>(33,078)</u>	<u>8,621</u>	<u>(1,411)</u>	<u>(919)</u>

9 PROFIT FOR THE YEAR - COMPANY

The company profit for the year of Sh 574,235,000 (Sh 622,236,000) has been dealt with in the separate financial statements of Williamson Tea Kenya Limited.

10 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.

	2012	2011
Earnings		
Earnings for purposes of basic and diluted earnings per share (Sh'000)	<u>820,822</u>	<u>853,346</u>
Number of shares		
Number of ordinary shares	<u>8,756,320</u>	<u>8,756,320</u>
Earnings per share		
Basic and diluted (Sh)	<u>93.74</u>	<u>97.46</u>

There were no potentially dilutive shares outstanding at 31 March 2012 and at 31 March 2011.

11 PROPOSED DIVIDEND

During the year, an interim dividend of Sh 50.00 (2011-Sh 2.50) per share representing an amount of Sh 437,816,000 (2011: Sh 21,890,800) was declared and paid.

In respect of the current year, the directors propose that a dividend of Sh 7.50 per share (2011 – Sh 12.50 per share) amounting to a total of Sh 65,672,400 (2011 – Sh 109,454,000) 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.

WILLIAMSON TEA KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12 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 2010	638,737	516,161	85,642	51,075	22,784	29,449	426	1,344,274
Additions	6,598	44,333	8,969	18,723	1,806	3,796	15,371	99,596
Disposals	(2,748)	(19,830)	(519)	(2,777)	(352)	(48)	-	(26,274)
Reclassification	89	496	-	-	-	150	(735)	
At 31 March 2011	642,676	541,160	94,092	67,021	24,238	33,347	15,062	1,417,596
Comprising:								
At valuation 2007	611,727	305,003	-	-	-	-	-	916,730
At cost	30,949	236,157	94,092	67,021	24,238	33,347	15,062	500,866
	642,676	541,160	94,092	67,021	24,238	33,347	15,062	1,417,596
At 1 April 2011	642,676	541,160	94,092	67,021	24,238	33,347	15,062	1,417,596
Additions	14,027	101,436	469	14,729	17,204	5,852	68,173	221,890
Disposals	(2,208)	(2,965)	(10,992)	(12,683)	(1,672)	(2,161)	-	(32,681)
Transfer from work in progress	8,222	11,966	-	-	-	-	(20,188)	-
Reclassification	(13,027)	16,716	(3,689)	-	-	-	-	-
Revaluation reserve	183,788	(116,466)	-	-	-	-	-	67,322
At 31 March 2012	833,478	551,847	79,880	69,067	39,770	37,038	63,047	1,674,127
Comprising:								
At valuation 2012	611,727	305,003	-	-	-	-	-	916,730
At cost	221,751	246,844	79,880	69,067	39,770	37,038	63,047	757,397
	833,478	551,847	79,880	69,067	39,770	37,038	63,047	1,674,127

WILLIAMSON TEA KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12 PROPERTY, PLANT AND EQUIPMENT (Continued)

GROUP

	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 2010	140,948	115,712	65,874	35,961	13,444	21,834	-	393,773
Charge for the year	38,340	51,085	6,924	8,008	1,453	2,747	-	108,557
Eliminated on disposal	(1,031)	(4,576)	(1,474)	(1,127)	(37)	(36)	-	(8,281)
At 31 March 2011	178,257	162,221	71,324	42,842	14,860	24,545	-	494,049
At 1 April 2010	178,257	162,221	71,324	42,842	14,860	24,545	-	494,049
Charge for the year	37,996	66,273	7,186	8,808	1,764	3,165	-	125,192
Eliminated on disposal	(1,633)	(2,766)	(10,992)	(9,524)	(541)	(2,160)	-	(27,616)
Reclassification	(6,154)	9,235	(3,081)	-	-	-	-	-
Eliminated on revaluation	(204,763)	(193,632)	-	-	-	-	-	(398,395)
At 31 March 2012	3,703	41,331	64,437	42,126	16,083	25,550	-	193,230
NET BOOK VALUE								
At 31 March 2012	<u>829,775</u>	<u>510,516</u>	<u>15,443</u>	<u>26,941</u>	<u>23,687</u>	<u>11,488</u>	<u>63,047</u>	<u>1,480,897</u>
At 31 March 2011	<u>464,419</u>	<u>378,939</u>	<u>22,768</u>	<u>24,179</u>	<u>9,378</u>	<u>8,802</u>	<u>15,062</u>	<u>923,547</u>
NET BOOK VALUE (Cost basis)								
At 31 March 2012	<u>233,597</u>	<u>268,413</u>	<u>15,442</u>	<u>26,942</u>	<u>23,687</u>	<u>11,488</u>	<u>63,047</u>	<u>642,616</u>
At 31 March 2011	<u>258,599</u>	<u>242,092</u>	<u>22,768</u>	<u>24,179</u>	<u>9,378</u>	<u>8,802</u>	<u>15,062</u>	<u>580,880</u>

Land, building and machinery were last revalued as at 31 March 2012 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 143,638,080 (2011 - Sh 164,807,857) which are fully depreciated and whose normal depreciation charge for the year would have been Sh 19,649,428 (2011 - Sh 31,091,945).

Land and buildings with net book value of Sh 829,775,000 (2011 - Sh 464,419,000) have been charged to secure banking facilities granted to the Group as disclosed in note 30.

Motor vehicles and machinery with a net book value of Sh 82,875,579 (2011 - Sh 71,553,200) are subject of a finance lease as disclosed in note 30.

WILLIAMSON TEA KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12 PROPERTY, PLANT AND EQUIPMENT (Continued)

COMPANY

	Land and 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 2010	328,388	142,984	37,669	21,050	10,393	13,817	89	554,390
Additions	5,823	6,865	6,768	6,924	1,504	2,203	2,265	32,352
Disposals	(1,195)	(40)	(519)	(361)	(238)	-	-	(2,353)
Reclassification	89	-	-	-	-	150	(239)	-
At 31 March 2011	333,105	149,809	43,918	27,613	11,659	16,170	2,115	584,389
Comprising:								
At valuation 2007	319,829	117,744	-	-	-	-	-	437,573
At cost	13,276	32,065	43,918	27,613	11,659	16,170	2,115	146,816
At 31 March 2011	333,105	149,809	43,918	27,613	11,659	16,170	2,115	584,389
At 1 April 2011	333,105	149,809	43,918	27,613	11,659	16,170	2,115	584,389
Additions	5,431	61,967	-	6,450	15,980	2,630	2,396	94,854
Disposals	-	(1,087)	(7,600)	(7,352)	(1,564)	(1,899)	-	(19,502)
Reclassification	(13,027)	16,716	(3,689)	-	-	-	-	-
Transfer from work in progress	1,389	1,594	-	-	-	-	(2,983)	-
Revaluation surplus	114,777	(29,707)	-	-	-	-	-	85,070
At 31 March 2012	441,675	199,292	32,629	26,711	26,075	16,901	1,528	744,811
Comprising:								
At valuation 2012	319,829	117,744	-	-	-	-	-	437,573
At cost	13,276	32,065	43,918	27,613	11,659	16,170	2,115	146,816
At 31 March 2012	333,105	149,809	43,918	27,613	11,659	16,170	2,115	584,389

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12 PROPERTY, PLANT AND EQUIPMENT (Continued)

COMPANY

	Land and buildings	Machiner y & equipment	Tractors & accessories	Motor vehicles	Office equipment furniture & fittings	Computers	Work in progress	Total
	Sh'000	Sh'000	Sh'000	Sh'000	Sh'000	Sh'000	Sh'000	Sh'000
DEPRECIATION								
At 1 April 2010	69,281	37,435	28,721	12,895	4,262	9,612	-	162,206
Charge for the year	18,772	13,399	1,869	3,854	919	1,439	-	40,252
Eliminated on disposal	(614)	(40)	(474)	(361)	-	-	-	(1,489)
At 31 March 2011	87,439	50,794	30,116	16,388	5,181	11,051	-	200,969
At 1 April 2010	87,439	50,794	30,116	16,388	5,181	11,051	-	200,969
Charge for the year	18,982	17,479	2,560	5,441	1,263	1,869	-	47,594
Eliminated on disposal	-	(1,088)	(7,599)	(5,361)	(433)	(1,898)	-	(16,379)
Reclassification	(6,154)	9,235	(3,081)	16,388	-	-	-	16,388
Eliminated on revaluation	(99,387)	(59,784)	-	-	-	-	-	(123,614)
At 31 March 2012	880	16,636	21,996	16,468	6,011	11,022	-	73,013
NET BOOK VALUE								
At 31 March 2012	440,795	182,656	10,633	10,243	20,064	5,879	1,528	671,798
At 31 March 2011	245,666	99,015	13,802	11,225	6,478	5,119	2,115	383,420
NET BOOK VALUE (Cost basis)								
At 31 March 2012	136,253	100,420	10,633	10,243	20,064	5,879	1,528	285,020
At 31 March 2011	101,610	76,218	13,802	11,225	6,478	5,119	2,115	216,567

Land, buildings and machinery were revalued as at 31 March 2012 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 54,052,677 (2011 - Sh 65,620,639) which are fully depreciated and whose normal depreciation charge for the year would have been Sh 3,685,440 (2011 - Sh 9,605,266).

Land, buildings and development with net book value of Sh 440,795,000 (2011 - Sh 245,666,000) have been charged to secure banking facilities granted to the company as disclosed in note 30.

Motor vehicles and machinery with a net book value of Sh 2,865,379 (2011: 3,137,951) are subject of a finance lease as disclosed in note 30.

WILLIAMSON TEA KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	GROUP		COMPANY	
	2012 Sh'000	2011 Sh'000	2012 Sh'000	2011 Sh'000
13 INTANGIBLE ASSETS				
COST				
At 1 April	9,963	9,013	4,425	4,025
Additions	1,781	950	1,018	400
	<hr/>	<hr/>	<hr/>	<hr/>
31 March	11,744	9,963	5,443	4,425
	<hr/>	<hr/>	<hr/>	<hr/>
AMORTISATION				
At 1 April	9,114	5,987	4,035	2,662
Amortisation for the year	585	3,127	260	1,373
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March	9,699	9,114	4,295	4,035
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March	2,045	849	1,148	390
	<hr/>	<hr/>	<hr/>	<hr/>
14 PREPAID OPERATING LEASES				
COST				
At 1 April	81,581	81,581	12,613	12,613
	<hr/>	<hr/>	<hr/>	<hr/>
AMORTISATION				
At 1 April	4,619	4,535	827	814
Amortisation for the year	84	84	13	13
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March	4,703	4,619	840	827
	<hr/>	<hr/>	<hr/>	<hr/>
NET BOOK VALUE				
At 31 March	76,878	76,962	11,772	11,786
	<hr/>	<hr/>	<hr/>	<hr/>

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

Leasehold land was last revalued as at 31 March 2012 by Lloyd Masika Ltd, registered valuers and estate agents, at Sh 815 million at that time, based on open market value.

The leasehold property is located in Kaimosi and Tinderet.

	GROUP & COMPANY	
	2012 Sh'000	2011 Sh'000
15 INVESTMENT PROPERTY		
At fair value:		
At 1 April	345,500	395,500
Fair value gain	-	225,000
Transfer to non – current assets reclassified as held for sale (note 24)	-	(275,000)
	<hr/>	<hr/>
At 31 March	345,500	345,500
	<hr/>	<hr/>
COST BASIS	17,932	17,932
	<hr/>	<hr/>

WILLIAMSON TEA KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15 INVESTMENT PROPERTY (Continued)

Investment property was revalued as at 31 March 2011 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.

Locations and details of the investment property are LR No 1160/196, LR No 1160/197 and LR No 330/490 all located in the Nairobi area.

	2012 Sh'000	2011 Sh'000
16 INVESTMENT IN ASSOCIATE COMPANY		

GROUP

Kapchorua Tea Company Limited (Quoted) - 39.56% owned:

At share of net assets (market value – Sh 187,281,387)

2011 – Sh 177,994,707) 448,135 ===== 386,263 =====

The movement in Group investment in associate company is as follows:

At 1 April	386,263	343,706
Share of profit before taxation	44,535	106,176
Share of tax (note 8(a))	(13,691)	(32,197)
Dividend received	(11,607)	(11,607)
Transfer to non – current assets		
classified as held for sale (note 25)	-	(19,815)
Share of other comprehensive income*	42,966	-
	<u>=====</u>	<u>=====</u>
At 31 March	448,466	386,263

COMPANY

Kapchorua Tea Company Limited (Quoted);

39.56% owned:

At cost (market value – Sh 187,281,387)

2011 – Sh 177,994,707) 49,479 ===== 49,479 =====

The movement in company investment in associate company is as follows:

At 1 April	49,479	79,837
Transfer to non – current assets classified as		
held for sale (note 24)	-	(30,358)
	<u>=====</u>	<u>=====</u>
At 31 March	49,479	49,479

*Share of other comprehensive income relates to Williamson Tea Kenya Limited's share of revaluation surplus that arose on revaluation of the buildings and machinery of Kapchorua Tea Company Limited during the year.

WILLIAMSON TEA KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16 INVESTMENT IN ASSOCIATE COMPANIES (Continued)

The details of the above associate company 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

The audited summarised financial information as of 31 March 2012 in respect of the associated company, Kapchorua Tea Company Limited is set out below:

	2012 Sh'000	2011 Sh'000
Total assets	1,962,897	1,570,203
Total liabilities	(829,262)	(593,806)
	=====	=====
Net assets	1,133,635	976,397
	=====	=====
Group's share of the net assets	448,466	386,263
	=====	=====
Revenue	1,433,134	1,375,133
	=====	=====
Profit before taxation	112,576	268,393
Taxation charge	(34,608)	(81,388)
	=====	=====
Profit for the year	77,968	187,005
Other comprehensive income*	108,610	-
	=====	=====
Total comprehensive income for the year	186,578	187,005
	=====	=====

* Other comprehensive income comprises the revaluation surplus that arose on revaluation of the buildings and machinery of Kapchorua Tea Company Limited during the year.

WILLIAMSON TEA KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

		2012 Sh'000	2011 Sh'000
17	INVESTMENT IN SUBSIDIARY COMPANIES		
(a)	Unquoted investments at cost in Wholly owned subsidiaries:		
	Kaimosi Tea Estates Limited	2,863	2,863
	Williamson Power Limited	3,689	3,689
	Tea Properties Limited	2	2
	Lelsa Tea Estates Limited	-	-
		<hr/>	<hr/>
		6,554	6,554
(b)	Unquoted investment at cost in Partly owned subsidiaries:		
	Tinderet Tea Estates (1989) Limited (82% owned)	103,323	103,323
		<hr/>	<hr/>
		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 tea.
Williamson Power Limited	2,880,000	Kenya	Sale, 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.

	2012 Sh'000	2011 Sh'000
18	OTHER INVESTMENTS	
	Unquoted investments at cost	
	Group	
	999,326 Shares (2011 – 999,326) shares of Sh 10 each in Kenya Tea Packers Limited	1,349 =====
		1,349 =====
	Company	
	403,545 Shares (2011 – 403,545) shares of Sh 10 each in Kenya Tea Packers Limited	546 =====
		546 =====

WILLIAMSON TEA KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19 BIOLOGICAL ASSETS

GROUP

	Tea bushes Sh'000	Timber trees Sh'000	Fuel trees Sh'000	Total 2012 Sh'000	Total 2011 Sh'000
Carrying amount at 1 April 2011	1,629,064	130,535	211,895	1,971,494	1,627,991
Transfer from property, plant and equipment	-	-	-	-	-
Expenditure on biological assets	19,121	1,008	8,302	28,431	20,790
Decrease due to harvest	-	-	-	-	(11,110)
Net expenditure on biological assets	19,121	1,008	8,302	28,431	9,680
	1,648,185	131,543	220,197	1,999,925	1,637,671
Gains/(losses) arising from changes in fair value attributable to physical changes	34,009	37,360	24,253	95,622	(69,590)
Gains arising from changes in fair value attributable to price changes	187,492	26,356	148,115	361,963	403,413
Disposals	-	(4,942)	(11,699)	(16,641)	-
Net fair value gains	221,501	58,774	160,669	440,944	333,823
Carrying amount at 31 March 2012	1,869,686	190,317	380,866	2,440,869	1,971,494

COMPANY

Carrying amount at 1 April 2011	792,512	39,835	97,884	930,231	758,844
Expenditure on biological assets	4,389	-	1,669	6,058	2,951
Decrease due to harvest	-	-	-	-	(2,977)
Net expenditure on biological assets	4,389	-	1,669	6,058	(26)
	796,902	39,835	99,553	936,290	758,818
Gains/(losses) arising from changes in fair value attributable to physical changes	1,561	2,939	32,683	37,183	(5,044)
Gains arising from changes in fair value attributable to price changes	46,318	42,796	26,385	115,499	176,457
Disposals	-	(2,322)	(9,256)	(11,578)	-
Net fair value gains	47,879	43,801	50,349	142,028	171,413
Carrying amount at 31 March 2012	844,781	83,247	149,365	1,077,393	930,231

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.

WILLIAMSON TEA KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

		GROUP		COMPANY	
		2012 Sh'000	2011 Sh'000	2012 Sh'000	2011 Sh'000
20	INVENTORIES				
	Tea stocks	148,682	201,093	47,834	97,207
	Firewood	14,769	7,195	3,732	2,552
	Stores	193,774	109,457	61,177	37,683
	Generators	578	578	-	-
	Work in progress	98	295	-	-
	Goods in transit	-	340	-	-
		<u>357,901</u>	<u>318,958</u>	<u>112,743</u>	<u>137,442</u>
		=====	=====	=====	=====
21	TRADE AND OTHER RECEIVABLES				
	Trade	977,490	655,644	369,697	281,321
	Staff	45,194	44,966	29,038	29,528
	VAT receivable	108,055	70,212	27,311	11,510
	Other	84,819	60,044	42,937	17,471
		<u>1,215,558</u>	<u>830,866</u>	<u>468,983</u>	<u>339,830</u>
		=====	=====	=====	=====
22	BALANCES WITH RELATED COMPANIES				
	(a) DUE FROM ASSOCIATE COMPANIES				
	Kapchorua Tea Company Limited	85,005	34,717	81,010	30,973
	Williamson Development Limited	-	1,118	-	1,118
		<u>85,005</u>	<u>35,835</u>	<u>81,010</u>	<u>32,091</u>
		=====	=====	=====	=====
				2012 Sh'000	2011 Sh'000
	(b) DUE FROM SUBSIDIARY COMPANIES				
	COMPANY				
	Kaimosi Tea Estates Limited			81,839	42,868
	Williamson Power Limited			11,340	7,118
	Tinderet Tea Estates (1989) Limited			116,947	43,733
				<u>210,126</u>	<u>93,719</u>
				=====	=====

WILLIAMSON TEA KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22 BALANCES WITH RELATED COMPANIES (Continued)

	2012 Sh'000	2011 Sh'000
(c) DUE TO SUBSIDIARY COMPANIES		
COMPANY		
Tea Properties Limited	23,762	24,403
Williamson Power Limited	7,466	234
	<u>31,228</u>	<u>24,637</u>
	=====	=====

(d) DUE TO ASSOCIATE COMPANY –GROUP

Kapchorua Tea Company Limited	4,256	2,542
	<u>4,256</u>	<u>2,542</u>
	=====	=====

23 LOANS TO SUBSIDIARY COMPANY - COMPANY

Tinderet Tea Estate (1989) Limited	-	38,929
	<u>-</u>	<u>38,929</u>
	=====	=====

The loan to the subsidiary company was unsecured and was repayable quarterly within two years. The loan was fully repaid during the year. The effective interest rate on the loan as at 31 March 2012 was nil (2011 – 6.5%).

	GROUP		COMPANY	
	2012 Sh'000	2011 Sh'000	2012 Sh'000	2011 Sh'000
24 SHORT TERM DEPOSITS – Held to maturity				
At amortised cost				
Maturing within 90 days				
NIC Bank Limited	293,645	133,931	173,649	93,852
Bank of Africa Limited	336,694	347,269	253,469	251,662
	<u>630,339</u>	<u>481,200</u>	<u>427,118</u>	<u>345,514</u>
	=====	=====	=====	=====
At 31 March	630,339	481,200	427,118	345,514
	<u>630,339</u>	<u>481,200</u>	<u>427,118</u>	<u>345,514</u>
	=====	=====	=====	=====

The effective interest rates on fixed deposits at 31 March 2012 was as below:

	2012 %	2011 %
NIC Bank Limited	20%	4.00
Bank of Africa Limited	21%	5.25
	<u>20%</u>	<u>4.00</u>
	=====	=====

WILLIAMSON TEA KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25 NON – CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	GROUP		COMPANY	
	2012 Sh'000	2011 Sh'000	2012 Sh'000	2011 Sh'000
At 1 April	294,815	-	305,358	-
Reclassification from;				
Investment in associate companies (note 16)	-	19,815	-	30,358
Investment properties (note 15)	-	275,000	-	275,000
Disposals	(294,815)	-	(305,358)	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 March	-	294,815	-	305,358
	=====	=====	=====	=====

The directors resolved to dispose of Williamson Tea Kenya Limited's shares in Williamson Developments Limited (unquoted investment in associates) and Williamson House (Investment property) during the year ended 31 March 2011. A sale agreement was entered into during the year ended 31 March 2011 and the sale concluded in the year ended 31 March 2012.

These non – current assets held for sale were held under the investment in property segment.

	2012 Sh'000	2011 Sh'000
26 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
	=====	=====
27 NON – CONTROLLING INTERESTS		
At 1 April	134,248	110,229
	<u> </u>	<u> </u>
Share of profit – arising from operating activities	8,356	7,859
- arising from changes in biological assets	25,562	23,180
	<u> </u>	<u> </u>
	33,918	31,039
	<u> </u>	<u> </u>
Dividend paid	(2,610)	(7,020)
	<u> </u>	<u> </u>
At 31 March	165,556	134,248
	=====	=====
Represented by:		
Holding in Tinderet Tea Estates (1989) Limited	18.00%	18.00%
	=====	=====

WILLIAMSON TEA KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

28 DEFERRED INCOME TAXATION

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

	GROUP		COMPANY	
	2012	2011	2012	2011
	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	261,310	312,506	102,368	130,191
Revaluation of investment property	98,270	123,071	98,270	123,071
Revaluation surplus	251,484	102,800	116,033	50,056
Fair value adjustments - biological assets	570,677	409,977	253,433	190,160
Unrealised exchange gains	1,001	1,516	631	775
	<u>1,182,742</u>	<u>949,870</u>	<u>570,735</u>	<u>494,253</u>
Deferred taxation assets:				
Unrealised exchange losses	(9,395)	(946)	(5,523)	(143)
Service gratuity provision	(47,959)	(43,538)	(16,497)	(15,172)
Leave pay provision	(6,790)	(4,178)	(3,066)	(2,202)
Inventories general provision	(1,305)	(590)	(1,120)	(381)
Doubtful debts provision	(2,149)	(753)	-	-
	<u>(67,598)</u>	<u>(50,005)</u>	<u>(26,206)</u>	<u>(17,898)</u>
Net deferred taxation liability	<u>1,115,144</u>	<u>899,865</u>	<u>544,529</u>	<u>476,355</u>

The movement on the deferred taxation account is as follows:

	GROUP		COMPANY	
	2012	2011	2012	2011
	Sh'000	Sh'000	Sh'000	Sh'000
At 1 April	899,865	737,536	476,355	357,078
Taxation charge/(credit) (note 8a)				
- current year charge/(credit)	74,563	148,159	(5,645)	108,649
- Prior year underprovision	1,001	14,170	547	10,628
- Deferred taxation on revaluation surplus dealt with through equity	139,715	-	73,272	-
At 31 March	<u>1,115,144</u>	<u>899,865</u>	<u>544,529</u>	<u>476,355</u>

WILLIAMSON TEA KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	GROUP		COMPANY	
	2012 Sh'000	2011 Sh'000	2012 Sh'000	2011 Sh'000
29 SERVICE GRATUITY				
At start of the year	145,125	123,098	50,574	42,237
Provision during the year	30,429	31,888	11,602	11,302
Payments in the year	(15,695)	(9,861)	(7,186)	(2,965)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 March	159,859	145,125	54,990	50,574
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

30 BORROWINGS

a) Loans

Bank overdraft	59,715	-	-	-
Shareholder loan	-	14,618	-	2,953
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	59,715	14,618	-	2,953
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The borrowings are repayable as follows:

On demand and within one year	59,715	14,618	-	2,953
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Analysis of borrowings by currency

GROUP

	Borrowings In KES Sh'000	Borrowings in GBP Sh'000	Total Sh'000
2012			
Bank overdrafts	59,715	-	59,715
	<u> </u>	<u> </u>	<u> </u>
2011			
Shareholder loan	-	14,618	14,618
	<u> </u>	<u> </u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

30 BORROWINGS (Continued)

a) Loans (Continued)

Analysis of borrowings by currency

COMPANY

	Borrowings In KES Sh'000	Borrowings in GBP Sh'000	Total Sh'000
2012			
Shareholder loan	-	-	-
	=====	=====	=====
2011			
Shareholder loan	-	2,953	2,953
	=====	=====	=====

b) Interest rates

	2012	2011
The average interest rates paid by the Group were as follows:		
Share holder loan - GBP	-	BOE +1.5%
Bank overdraft - KSh	21.50%	15.50%
Bank overdraft - US\$	7.0%	7.0%
	=====	=====

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 and Williamson Tea Kenya Limited 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 Kericho of Sh 84 million.

COMPANY

1. Joint and several debentures between Kaimosi Tea Estates Limited and Williamson Tea Kenya Limited 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 189,863,000 (2011 – Sh 196,035,000). The borrowing facilities consist of loans, bank overdrafts, letters of credit and guarantees.

WILLIAMSON TEA KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 FINANCE LEASE OBLIGATIONS

GROUP

	Minimum lease payments (including finance charges)		Present value of minimum lease payments (excluding finance charges)	
	2012	2011	2012	2011
	Shs'000	Shs'000	Shs'000	Shs'000
Within one year	27,084	42,641	25,402	39,301
In second to fifth year	6,607	31,605	5,965	29,129
	<u>33,691</u>	<u>74,246</u>	<u>31,367</u>	<u>68,430</u>
Less: future finance charges	(2,325)	(5,816)	-	-
Present value of lease obligations	<u>31,366</u>	<u>68,430</u>	<u>31,367</u>	<u>68,430</u>
Amounts due for settlement within one year			(25,402)	(39,301)
Amounts due for settlement after one year			<u>5,965</u>	<u>29,129</u>

COMPANY

	Minimum lease payments (including finance charges)		Present value of minimum lease payments (excluding finance charges)	
	2012	2011	2012	2011
	Shs'000	Shs'000	Shs'000	Shs'000
Within one year	-	2,838	-	2,616
In second year to fifth year	-	-	-	-
	<u>-</u>	<u>2,838</u>	<u>-</u>	<u>2,616</u>
Less: future finance charges	-	(222)	-	-
Present value of lease obligations	<u>-</u>	<u>2,616</u>	<u>-</u>	<u>2,616</u>
Amounts due for settlement within one year			-	(2,616)
Amounts due for settlement after one year			<u>-</u>	<u>-</u>

The average lease period is 3 years. The average interest rate was 8.50% (2011 - 8.50%).

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

	GROUP		COMPANY	
	2012	2011	2012	2011
	Shs'000	Shs'000	Shs'000	Shs'000
32 TRADE AND OTHER PAYABLES				
Trade payables	75,643	95,043	29,921	27,564
Green leaf provision	547,905	331,109	143,489	83,220
Leave provision	22,633	13,925	10,221	7,340
Accruals and other payables	276,186	171,960	131,696	92,787
	<u>922,367</u>	<u>612,037</u>	<u>315,327</u>	<u>210,911</u>

WILLIAMSON TEA KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

33 UNCLAIMED DIVIDENDS

	2012 Sh'000	2011 Sh'000
GROUP & COMPANY		
At beginning of the year	4,268	4,417
Declared in the year		
- Interim	437,816	21,891
- Final	109,454	54,727
	547,270	76,618
Dividends claimed	(547,239)	(76,767)
At end of year	4,299	4,268

34 NOTES TO THE CASH FLOW STATEMENT

GROUP

(a) Reconciliation of profit before taxation to cash generated from operations		
Profit before taxation	1,163,499	1,293,690
Adjustments for:		
Depreciation	125,192	108,557
Amortisation of prepaid operating leases	84	84
Amortisation of intangible assets	585	3,127
(Profit)/loss on disposal of plant and equipment	(7,635)	2,022
Share of results of associates	(44,535)	(106,176)
Fair value adjustment on biological assets	(440,944)	(333,823)
Gain on disposal of investment property and associate company	(157,850)	-
Fair value gain on investment property	-	(225,000)
Exchange differences on loans (note 34(b))	4,413	3,285
Exchange differences on asset finance loans (note 34(c))	(1,011)	1,412
Interest paid	4,072	9,165
Interest received	(103,119)	(14,873)
Dividend received	-	(542)
	542,751	740,928
Working capital changes:		
(Increase)/decrease in inventories	(38,943)	125,836
(Increase)/decrease in trade and other receivables	(384,692)	166,215
Increase/(decrease) in trade and other payables	310,330	(113,503)
Movement in associate companies balances	(47,456)	(13,937)
Increase in service gratuity	14,734	22,027
Cash generated from operations	396,724	927,566

WILLIAMSON TEA KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

34 NOTES TO THE CASH FLOW STATEMENT (Continued)

	2012 Sh'000	2011 Sh'000
(b) Analysis of changes in loans		
At 1 April	14,618	28,607
Loans repaid	(19,031)	(17,274)
Exchange loss	4,413	3,285
	<hr/>	<hr/>
At 31 March	-	14,618
	<hr/>	<hr/>
(c) Analysis of changes in asset finance loan		
At 1 April	68,430	94,849
Asset finance loans repaid	(36,052)	(27,831)
Exchange (gain)/loss	(1,011)	1,412
	<hr/>	<hr/>
At 31 March	31,367	68,430
	<hr/>	<hr/>
(d) Analysis of cash and cash equivalents		
Cash and bank balances	124,178	359,096
Short term deposits	630,339	481,200
Bank overdrafts	(59,715)	-
	<hr/>	<hr/>
At 31 March	694,802	840,296
	<hr/>	<hr/>

For the purpose of the cash flow statement, cash equivalents include short term liquid investments which are readily convertible to known amounts of cash and which were within three months to maturity when acquired, less advances from banks repayable within three months from the date of the advance.

35 RELATED PARTIES

The Group transacts with the ultimate holding company, Williamson Tea Holdings Limited and other companies which are also subsidiaries of Williamson Tea Holdings Limited.

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

	2012 Sh'000	2011 Sh'000
Sales through a related party (Williamson Tea Holdings Limited – parent)	3,466,379	3,117,454
Agency commission and charges received (Kapchorua Tea Company Limited – associate)	61,485	50,820
Agency fees-Cohen & Griffiths Ltd	103,991	93,551
Green leaf purchases from Kapchorua Tea Company Limited	54,144	61,403
	<hr/>	<hr/>

WILLIAMSON TEA KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

35 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 was 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 2011 for purchase of farm machinery from George Williamson & Co Limited, a related company. The interest rate on the loans was Bank of England plus 1.50 %. The loan had been fully settled as disclosed in note 30.

	2012	2011
	Sh'000	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	16,995	15,840
Fees and allowances for services as directors	1,088	1,000
	<u>18,083</u>	<u>16,840</u>
	=====	=====

Key management remuneration

Salaries and other benefits	71,221	85,241
	=====	=====

	GROUP		COMPANY	
	2012	2011	2012	2011
	Shs'000	Shs'000	Shs'000	Shs'000
36 CAPITAL COMMITMENTS				
Authorised but not contracted for	126,404	299,076	50,741	82,423
Authorised and contracted for	14,589	47,064	13,948	17,889
	<u>140,993</u>	<u>346,140</u>	<u>64,689</u>	<u>100,312</u>
	=====	=====	=====	=====

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

37 OPERATING LEASE COMMITMENTS

The Group as a lessee

Property rental expense incurred during the year amounted to Sh 2,242,100 (2011 – Sh nil). At the end of the reporting period the company had outstanding commitments under operating leases which fall due as follows:

	2012	2011
	Sh'000	Sh'000
Within one year	3,895	-
In the second to fifth years inclusive	18,227	-
	<u>22,122</u>	<u>-</u>
	=====	=====

WILLIAMSON TEA KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

37 OPERATING LEASE COMMITMENTS (Continued)

The Group as a lessor

Property rental income earned during the year amounted to Sh 14,603,708 (2011 – Sh 38,033,814). At the end of the reporting period, the Group had contracted with tenants for the following future lease receivables.

	2012 Sh'000	2011 Sh'000
Within one year	3,120	38,034
In the second to fifth years inclusive	10,112	8,650
	<u>13,232</u>	<u>46,684</u>
	=====	=====

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.

The non-residential property includes Williamson House which the company entered into a sale agreement in the year ended 31 March 2011 and the sale completed in the year ended 31 March 2012.

38 CONTINGENT LIABILITIES

The Group had no contingent liabilities as at 31 March 2012 (2011: Sh nil).

39 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 29 and 30, 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	
	2012 Sh	2011 Sh
Share capital	43,782	43,782
Revenue reserves	4,148,921	3,853,331
	<u>4,192,703</u>	<u>3,897,113</u>
Equity		
Total borrowings	91,082	83,048
Less: cash	(124,178)	(359,096)
	<u>(33,096)</u>	<u>(276,048)</u>
Net debt		
Total capital	<u>4,159,609</u>	<u>3,699,814</u>
	=====	=====
Gearing	Nil	Nil
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)

40 FINANCIAL RISK MANAGEMENT

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 department 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

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 2012 is made up as follows:

	Fully performing Sh'000	Past due Sh'000	Total Sh'000
Trade receivables	967,897	9,593	977,490
Short term deposits	630,339	-	630,339
Bank balances	116,346	-	116,346
	=====	=====	=====

The amount that best represents the Group's maximum exposure to credit risk as at 31 March 2011 is made up as follows:

	Fully performing Sh'000	Past due Sh'000	Total Sh'000
Trade receivables	655,644	-	655,644
Short term deposits	481,200	-	481,200
Bank balances	354,381	-	354,381
	=====	=====	=====

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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.

	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 2012						
Trade payables	71,565	4,078	-	-	-	75,643
Finance lease obligations	30,049	1,112	2,530	-	-	33,691
Borrowings	59,715	-	-	-	-	59,715
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	161,329	5,190	2,530	-	-	169,049
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2011						
Trade payables	39,659	52,945	2,439	-	-	95,043
Finance lease obligations	3,553	7,107	31,981	31,605	-	74,246
Borrowings	4,707	9,415	496	-	-	14,618
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	47,919	69,467	34,916	31,605	-	183,907
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

WILLIAMSON TEA KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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
2012			
Financial assets			
Bank and cash balances	1,121	48,426	10,804
Trade receivables	665,850	286,356	6,591
	=====	=====	=====
Financial liabilities			
Borrowings	63,314	-	-
Finance lease obligations	3,844	-	-
	=====	=====	=====
2011			
Financial assets			
Bank and cash balances	174,963	113,853	901
Trade receivables	462,008	146,306	12,582
	=====	=====	=====
Financial liabilities			
Borrowings	54,749	14,618	-
Finance lease obligations	13,681	-	-
	=====	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)

40 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.

	2012 Sh'000		2011 Sh'000	
	Effect on profit	Effect on equity	Effect on profit	Effect on equity
Currency - GB pounds				
+ 1 percentage point movement	444	311	2,456	1,719
- 1 percentage point movement	(444)	(311)	(2,456)	(1,719)
Currency - US dollars				
+ 1 percentage point movement	540	378	5,035	3,525
- 1 percentage point movement	(540)	(378)	(5,035)	(3,525)
Currency - Euro				
+ 1 percentage point movement	21	14	134	94
- 1 percentage point movement	(21)	(14)	(134)	(94)
	====	====	====	====

(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.

	2012 Sh'000		2011 Sh'000	
	Effect on profit	Effect on equity	Effect on profit	Effect on equity
+ 1 percentage point movement	7,602	5,321	5,876	4,113
- 1 percentage point movement	(7,602)	(5,321)	(5,876)	(4,113)

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.

WILLIAMSON TEA KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

41 COUNTRY OF INCORPORATION

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

42 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.

43 CURRENCY

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

WILLIAMSON TEA KENYA LIMITED

COMPANY DETAILED INCOME STATEMENT (measurement of biological assets and
agricultural produce at actual cost for tax purposes)
FOR THE YEAR ENDED 31 MARCH 2012

	2012 Sh	2011 Sh
TURNOVER	1,438,424,281	1,280,048,249
COST OF SALES	(1,014,426,017)	(784,174,094)
GROSS PROFIT	423,998,264	495,874,155
OTHER INCOME	237,776,385	255,897,231
DISTRIBUTION COSTS	(120,521,915)	(109,537,467)
ADMINISTRATIVE EXPENSES	(7,060,759)	(7,090,448)
FINANCE COSTS	(16,639,688)	21,017,799
DIVIDENDS RECEIVABLE	74,298,350	84,130,454
PROFIT BEFORE TAXATION	591,850,637	740,291,724
Reconciliation of results at fair valuation of biological and agricultural produce to results based on actual cost of biological assets and agricultural produce:		
	2012 Sh'000	2011 Sh'000
PROFIT BEFORE TAXATION AS ABOVE	591,851	740,292
Fair value adjustment	141,103	171,412
Net movement in fair value of green leaf	-	(35,348)
PROFIT BEFORE TAXATION AS PER INCOME STATEMENT	732,954	876,356
CURRENT TAXATION CHARGE	(163,817)	(134,843)
DEFERRED TAXATION CREDIT/(CHARGE)	5,098	(119,277)
	(158,719)	(254,120)
PROFIT AFTER TAXATION	574,235	622,236

APPENDIX II

WILLIAMSON TEA KENYA LIMITED
HEAD OFFICE

INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2012

	2012 Sh	2011 Sh
TURNOVER		
Rental income	14,603,708	38,033,814
Repairs and maintainance	(554,877)	(1,251,647)
	<hr/>	<hr/>
	14,048,831	36,782,167
	<hr/>	<hr/>
ADMINISTRATIVE COSTS		
Professional fees	4,589,783	1,077,795
Donations	95,000	42,000
Auditors' remuneration	1,595,000	1,729,692
Registrars fees expenses	3,492,357	1,599,396
Directors' fees	1,087,500	1,000,000
Bank charges	400,315	292,250
Subscriptions	34,794	236,368
Rental expenses	3,355,983	2,518,516
Central recharges	(46,244,525)	(56,805,613)
	<hr/>	<hr/>
	(31,593,793)	(48,309,596)
	<hr/>	<hr/>
OTHER INCOME		
Gain on disposal of investment property	147,307,146	-
Fair value gain on investment property	-	225,000,000
Miscellaneous receipts	972,210	1,307,800
Interest receivable	53,070,693	5,861,669
Gain on sale of equipment	952,398	98,980
	<hr/>	<hr/>
	202,302,447	232,268,449
	<hr/>	<hr/>
FINANCE COSTS		
Interest payable	14,602	2,734
	<hr/>	<hr/>
DIVIDENDS RECEIVABLE		
Dividend from subsidiary companies	62,690,000	72,522,104
Dividend from associate company	11,608,350	11,608,350
	<hr/>	<hr/>
	74,298,350	84,130,454
	<hr/>	<hr/>
PROFIT BEFORE TAXION	<u>322,228,819</u>	<u>401,487,932</u>

APPENDIX III

WILLIAMSON TEA KENYA LIMITED
 CHANGOI ESTATE
 INCOME STATEMENT
 FOR THE YEAR ENDED 31 MARCH 2012

	2012 Sh	2011 Sh
TURNOVER	1,423,820,573	1,242,014,435
COST OF SALES		
Depreciation	44,456,087	39,387,395
Direct tea production expenditure	956,280,610	810,124,737
(Profit)/loss on sale of plant and equipment	(3,692,400)	804,198
Tea stocks-opening	97,206,695	79,233,578
Tea stocks-closing	(47,833,660)	(97,206,695)
	1,046,417,332	832,343,214
GROSS PROFIT	377,403,241	409,671,221
OTHER INCOME		
Miscellaneous receipts	9,539,259	13,447,273
Interest receivable	26,887,077	10,280,489
	36,426,336	23,727,762
ADMINISTRATIVE EXPENSES		
Professional fees	1,604,308	1,109,828
Auditors remuneration	4,482,452	3,801,532
Head office and general expenses	974,000	1,166,897
	7,060,760	6,078,257
DISTRIBUTION COSTS		
Agency fees	42,246,844	36,605,361
Ocean freight and marine insurance	40,228,123	37,221,092
Transport to coast and coast charges	38,046,949	35,711,014
	120,521,916	109,537,467
FINANCE COSTS		
Net loss/(gain) on foreign exchange	16,307,513	(21,834,363)
Interest on bank overdraft	171,378	384,332
Interest on loan	146,193	434,966
	16,625,084	(21,015,065)
PROFIT BEFORE TAXATION	269,621,817	338,798,324

WILLIAMSON TEA KENYA LIMITED
CHANGOI ESTATE

INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2012

Reconciliation of results at fair valuation of biological and agricultural produce to results based on actual cost of biological assets and agricultural produce:

	2012 Sh'000	2011 Sh'000
PROFIT BEFORE TAXATION AS ABOVE	269,622	338,798
FAIR VALUE ADJUSTMENT	141,103	171,412
NET MOVEMENT IN FAIR VALUE ADJUSTMENT IN STOCKS	-	(35,348)
PROFIT BEFORE TAXATION AS PER INCOME STATEMENT (ACCOUNTS)	<u>410,725</u>	<u>474,862</u>