WILLIAMSON TEA KENYA PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

WILLIAMSON TEA KENYA PLC

ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

CONTENTS PAGES

WILLIAMSON TEA KENYA PLC

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Seventieth ANNUAL GENERAL MEETING of the Shareholders will be held at the Nairobi Club, Ngong Road, on Thursday 1st August 2019 at 10.00 a.m. for the following purpose:

Ordinary Business:

1) To receive and adopt the report of the Directors together with the audited financial statements for the year ended 31 March 2019.

2) To declare a dividend.

3) To re-elect Directors:

   i) In accordance with Article 108 of the Company's Articles of Association, Mr Mathew Koech retires by rotation and offers himself for re-election.

   ii) In accordance with Article 108 of the Company's Articles of Association, Mr Ezekiel N K Wanjama retires by rotation and offers himself for re-election.

   iii) In accordance with the provisions of Section 769 of the Kenyan Companies Act, 2015 to ratify the appointment of Mr Edward Charles Magor, a Director, as a member of the Governance and Audit Committee.

4) To approve the remuneration of the Directors.

5) To re-appoint Messrs Deloitte & Touche as Auditors of the Company in accordance with the provisions of Section 721 (2) of the Kenyan Companies Act, 2015 and to authorise the Directors to fix the Auditors' remuneration for the ensuing financial year in accordance with the provisions of Section 724 (1) of the Kenyan Companies Act, 2015.

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

BY ORDER OF THE BOARD

Gilbert K Masaki

SECRETARY

27th June 2019

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 PLC

CORPORATE INFORMATION

DIRECTORS	E N K Wanjama	- Chairman
	A L Carmichael*	- Managing Director
	S N Thumbi	- Farm Director
	P Magor*	
	J P Brooks	
	E C Magor*	
	M Koech	
	* British	
BOARD COMMITTEES		
Governance & Audit Committee	M Koech	- Chairman
	J P Brooks	
Nominating Committee	E N K Wanjama	- Chairman
	A L Carmichael	- Managing Director
	P Magor*	- Non Executive Director
Staff &Remuneration Committee	E N K Wanjama	- Chairman
	A L Carmichael*	- Managing Director
	P Magor *	- Non Executive Director
	* 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

WILLIAMSON TEA KENYA PLC

FINANCIAL HIGHLIGHTS - CONSOLIDATED

		2019	2018	2017	2016	2015
Tea Production						
Area under tea Hectare		2,129	2,102	2,128	2,127	2,112
Made tea - own	'000 Kgs	7,310	7,997	6,987	8,145	6,879
- bought leaf	'000 Kgs	7,598	8,023	7,951	8,301	6,925
Total	'000 Kgs	14,908	16,020	14,938	16,446	13,804
Tea sold	'000 Kgs	14,226	15,514	16,603	15,057	13,762
Average price per Kg gross Sh/Ct		232/46	256/97	201/74	222/37	184/68
Revenue from tea sales (Sh'000)		3,351,779	3,984,971	3,416,340	3,386,015	2,590,416
Profit (Sh'000)						
(Loss)/profit before taxation		(212,415)	810,056	(351,944)	586,609	(298,565)
Taxation credit/(charge)		40,053	(307,287)	90,351	(103,862)	70,929
(Loss)/profit after taxation		(172,362)	502,769	(261,593)	482,747	(227,636)
Attributable to:						
Non - controlling interests		(7,950)	14,825	(21,099)	19,570	(19,529)
Equity holders of the parent		(164,412)	487,944	(240,494)	463,177	(208,107)
(Loss)/profit for the year		(172,362)	502,769	(261,593)	482,747	(227,636)
Capital employed (Sh'000)						
Assets (Sh'000)						
Property, plant & equipment		3,672,274	3,968,782	3,614,543	3,798,149	4,123,341
Investments and long term receivables		1,092,177	1,175,988	1,075,903	1,101,277	1,052,572
Biological assets		699,684	703,168	660,562	651,344	606,492
Current assets		2,807,783	3,657,136	3,013,119	3,380,625	2,776,153
Total assets		8,271,918	9,505,074	8,364,127	8,931,395	8,558,558
Medium and short term borrowings		37,380	97,481	156,432	205,766	231,265
Service gratuity		291,157	297,969	310,440	261,618	227,662
Other current liabilities		658,206	1,164,892	800,989	616,348	276,492
Deferred tax liabilities		967,735	1,097,375	1,001,994	1,133,326	1,240,103
Total liabilities		1,954,543	2,657,717	2,269,855	2,217,058	1,975,522
Net assets		6,317,375	6,847,357	6,094,272	6,714,337	6,583,036

WILLIAMSON TEA KENYA PLC

FINANCIAL HIGHLIGHTS – CONSOLIDATED (Continued)

		2019	2018	2017	2016	2015
Financed by (Sh'000)						
Share capital		87,563	87,563	87,563	87,563	43,782
Reserves		6,032,214	6,547,159	5,828,708	6,420,417	6,351,274
Equity holders of parent company		6,119,777	6,634,722	5,916,271	6,507,980	6,395,056
Non – controlling interest		197,598	212,635	178,001	206,357	187,980
Shareholders' funds		6,317,375	6,847,357	6,094,272	6,714,337	6,583,036
(Loss)/ earnings per share	Sh	(9.39)	27.86	(13.73)	26.45	(11.88)
Proposed dividend per share	%	400	400	200	400	800
Proposed dividend per share	Sh	20	20	10	20	40
Proposed dividend cover	Times	(0.49)	1.39	(1.37)	1.32	(0.30)
Closing exchange rates	US $	100.75	100.84	103.00	101.33	92.34
	UK £	131.85	142.31	128.83	145.31	136.45

WILLIAMSON TEA KENYA PLC

CHAIRMAN'S STATEMENT

RESULTS

The Group reported a loss for the year of Sh 173 million in 2019 compared to a profit of Sh 503 million reported in 2018.

Please refer to pages 24 and 25 of the consolidated financial statements.

Crops

The crop figures for the year are given on page 4.

For much of 2018 there was heavy and prolonged rain, and whilst the short rains from October were less intensive than usual, the previous months of rain contributed to favourable crops being harvested. Weather patterns are the critical factor in rain fed agricultural crops. Particularly so in Tinderet where convectional rain, brought from water basins on the afternoon clouds are not so prevalent as they are in Changoi and Kaimosi. As the old saying in tea circles goes, if you get rain you get crop.

From the start of 2019 it became apparent that an unusually warm dry spell was beginning and indeed the long rains, for a number of speculative reasons that had arrived early the previous year in March 2018 were still not apparent as we ended our financial year in 2019.

To reiterate, we are farmers beholden to rain fed agriculture so entirely subjected to nature's way. We can do our work properly in healthy plant selection, ground preparation and good planting techniques but thereafter we are at the mercy of nature and all the challenges that comes with it.

As an example after 5 months of the year we were just behind the previous year's crop by 100 tons. By the end of the year these figures had increased to 955 tons behind the previous year's crop.

In our weekly farm reports from February 2019 it became common place to read – crop intakes are low due to the ongoing dry weather conditions.

Cost of Production

A year ago we were able to report that a favourable judgement of the Court of Appeal had resolved a dispute with the Union over 2014/2015 wage levels.

Our Association, the Kenya Tea Growers Association has been extremely patient and finally this perseverance has paid off, sometime after the year end, but very worthy of note nonetheless. The outstanding years Collective Bargaining Agreement (CBA)'s, 2016/17 and 2018/19 have been agreed and concluded.

Also worthy of note, whilst costs of attempting to resolve the matter are shared through the Association, continual engagement with our lawyers is a drain on resources.

There remains local political pressure, over a variety of taxes that are often threatened, sometimes implemented and frequently challenged through the courts.

The populist belief spread by local politicians to their voters that your Group should become embroiled in historical issues that have nothing to do with us, and remains a costly pressure point in terms of human and fiscal capital.

Land ownership is protected by the Constitution. It is only under exceptional circumstances that the National Government may compulsorily acquire the land, and this only after a very strict procedure that includes compensation at the market rate. The statements made by local politicians are therefore not only factually incorrect, but totally misleading to the electorate.

It does highlight however that the level of local political threat usually via press coverage, is simply not abating. As a Kenyan Group, registered in Kenya and listed on the Nairobi Stock Exchange (NSE) we have nothing to do with government to government arguments, alleged historical injustices or other accusations. Williamson Tea is here to serve our shareholders, achieve profit and pay our taxes, and look after our employees.

The power supply failures from Kenya Power and Lighting Company Limited (KPLC) have reached epic proportions. Kaimosi remains the worst hit but not the only victim.

Cost of Production (Continued)

The non-delivery of power has forced our hand and during the next financial year to 2020 we shall be considering investing in sustainable but deliverable power of our own.

In addition to the implementation of effective automation we are mindful that the costs we carry must add value to the business. The cornerstone to the business is our tea, our factories and manufactured output. If it is necessary to reduce costs in Nairobi we shall act as required in order to ensure long term prosperity to the business that we operate.

General

In achieving the crop for the year just ended we again warmly appreciate the contribution made by our smallholder farmers.

We would repeat last year's summary that the model employed by the Group when purchasing green leaf is a "willing buyer, willing seller" contract, whereby the seller accepts the price for the green leaf being paid by the buyer. Once this contract is completed the leaf becomes the buyer's property to manufacture and sell at the best available price.

There are other smallholder buy/sell contract models in operation in tea growing areas and our smallholders are free to explore these if they see fit.

We have hundreds of indigenous flora thriving in our valleys and ravines; these contribute hugely to a rich diversity of animal and bird life. Our imperative is to conserve our water sources and soil structures and protect and enrich the environment for next generations. The operation of our 1 Megawatt solar farm at Changoi, for the past 3 years is a shining example of our investment and commitment to this critical philosophy and our commitment to the future. When profitability allows we will seek to continue to invest in renewable energy, wherever the quality is best sourced. In addition, and in line with current government directives, we are striving to be completely free from plastic on the farms by the middle of 2019.

Considerable work continues to go into managing our automated tea harvesting. Every year we seek to improve the ease and efficiency of plucking. Although this is sometimes a protracted goal, we have continuously improved our quality over the past 5 years and believe in the next 5 years we will see further gains. Our workforce is fully trained to operate sophisticated machinery, and the benefits of improved productivity are theirs as well as better leaf quality. We have further invested in better sorting of green leaf and continue to try and encourage the manufacturers of the harvesters to provide us with lighter but sturdier equipment. We have made significant progress in the past year. Tea is not at the cutting edge of the investment plans for many, but we remain committed to try and influence equipment design and decisions from our suppliers.

We would wish to emphasize once again that our workforce, our staff and our management, our human capital, remains our most prized asset. We retain our clear commitment to progress, to generate and motivate a highly skilled workforce and industrialize in line with Kenya Vision 2030, to secure long term sustainability for the Group.

Smallholders still tend to hand pluck. However, this is gradually changing to mechanisation as the twin demands of rising wages and low productivity hit the smallholder sector as much as the larger commercial sector.

Some of the press coverage on automation is negative and misplaced and for the business to survive automation will become increasingly important. Survival also means manufacturing a product that is saleable at economic returns, not simply reducing cost.

It is perhaps important to reflect that during the year, Kenya's Vision 2030 celebrated 10 years. Vision 2030 referenced in some detail more efficient productivity and looked perhaps enviously at the time at South East Asia's newly industrialized economies. To imagine then, the concept of a business operating in 2008 in the same way 10 years later would be to imagine a business with no future, one perhaps that some decision makers and Union officials would wish upon our shareholders today. But our shareholders, all of you, are entitled to a future even in the face of populist denial.

A glance at the Western Kenya economic landscape tells us much and at a time in the world when noise, opinion and sound bites are commonplace and often drown out facts and progress, it is perhaps opportune to reflect on some of these productive changes that are now facts, 10 years on.

General (Continued)

Change is never easy but comes when there is flexibility to adapt to the necessity of a modern, automated and digital age.

The explanation on page 6 of rain fed agriculture is factual, an unsolvable imperative to harvest a crop at source. However, we are also manufacturers, using our expertise to refine, produce and deliver a product that can compete on a global stage.

It is this manufacturing skill that defines the present day small holder model and has been the architect of increased regional economic prosperity, often in defiance of bodies who would see us stuck in an analogue age for self - interested reason. Small holders require big brothers to prosper.

The primary and most important aspect on any tea farm is plucking as the quality and the quantity of the plucked shoots is the major factor as to whether or not a profit is made.

Automated tea harvesting has altered the way that good leaf is harvested, as a machine cannot select leaf to be plucked in the way that hand plucking can. The tea bush also responds differently to the different demands of hand or machine plucking.

The complexities of managing this change offer management challenges through the necessity of achieving the correct quality of green leaf at improved productivity.

However once success in automation is achieved it is very clear the path that must be taken, for all sorts of commercial and individual benefit. Automated productivity is no longer the simple pursuit of extending plucking rounds to hand pluck - longer leaf weighs more than shorter leaf so hand pluckers become more productive to the detriment of the made tea quality.

Harvesting leaf of the correct size by machine benefits the machine operator, the factory quality control departments and the willing buyer seller tea sales model ending at economic prices, culminating with a consumer who wishes to repeat the purchase. A virtuous circle.

In short, through mechanization, Kenya's tea industry becomes globally competitive to the long term benefit of many.

We retain and will deliver on our clear commitment to progress competitively in a modern world environment in a thoroughly sustainable way.

Our commitment to the sustainability of the environment is demonstrated by the rich diversity of flora and fauna present on the farms. These help to conserve and protect water sources and existing soil structures for future generations.

Our firewood is sourced exclusively from our own eucalyptus plantations which are regenerated after felling on a 10 to 12 year cycle. In this way we can be certain that no outside forest, be it indigenous or planted has been interfered with and sourced from your Group.

As a final thought on the themes above. Ask yourselves, what would the architects of Vision 2030 make today of individuals or groups seeking to hinder their vision?

Markets

Since July 2018 we have been in direct control of all our tea sales from Nairobi, export or domestic.

Before then all export sales were handled by an export agent.

We have a small sales team but large amounts of global goodwill willing to buy our teas.

Markets (Continued)

We are selling selectively through the Mombasa Tea Auction which for the particular grades we print in brokers catalogues, reaches markets hitherto relatively unexplored. If we include the new year now commenced we have been offering for just over one year. Over that period we have steadily gained some reputational value with the critical markets of Egypt and Pakistan and can see the levels of demand improving.

That said the markets still operate on a simple supply and demand economic model. For most of the year there was too much tea and the average price of tea declined by 60 dollar cents during the year. The great uncertainty of operating in rain fed agriculture is the lack of control. Too much available tea to sell and price declines, too little tea and price goes up.

The key area to mitigate against these factors is not, as many will claim, to force all Kenyan tea companies to add value. In simple terms imagine the cost of attempting to compete with global retail giants. Who will win, the giant or the new competitor and at what cost.

Our own small scale value addition is from domestic sales ex-factory. As some demand and certainly population grow so will sales. But it is a minority solution. The bigger prize is to reach out to buyers in nations yet to embrace Kenyan tea, as a generic product. These countries exist, but remain silent generally on account of protectionist mind-sets and very high import tariffs.

Market outlook

To speculate is to be wrong, usually! The failure of the long rains going into the new financial year has reduced crops dramatically. This feeds into the simple supply/demand equation with rising prices but not necessarily rising profits. We operate with fixed costs which can only be tempered by good crop and optimum production through our factories. So a cautionary note looking to the future.

General Outlook

We will continue to automate, to cut our costs so that a viable and sustainable future is prepared for our shareholders.

We can cut and paste the amount of times we have mentioned the continued uncertainty over our Land titles.

We remain optimistic that matters will be settled as soon as possible by the National Government but until they are, we remain prey to populist local politicians seeking re-election from an emotive electorate.

DIVIDENDS

Despite the reported loss, the Directors considered Shareholders' persistent demand for a higher dividend rate in the years when the Company had exceptional good results, and resolved to recommend a dividend of Sh.20 per share to be paid out of revenue reserves.

CORPORATE SOCIAL RESPONSIBILITY

The Group continues to embrace social enhancing ethics, food safety standards and sustainable agricultural practices. The Group is still certified by ISO 2200:2005, Rainforest Alliance and UTZ.

The various farm activities covered in the year are detailed in our website http://williamson-tea.blogspot.co.uk/. The activities include building school classrooms, administration blocks, bursaries, and providing surrounding communities with water.

HEALTH AND EDUCATION

The Group continues to provide extensive medical services to its employees, with 5 Health Clinics and actively participates in the various Doctors' schemes. Including visiting Doctor Services and HIV/AIDS prevention programs. Contribution has also been given in the form of equipment to hospitals which treat some of our workers and the surrounding communities. Distribution of treated water to communities is high on the agenda.

HEALTH AND EDUCATION (Continued)

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 counties. We continue to operate several crèches, 4 Primary Schools and 1 Secondary School together with bursary schemes for gifted students proceeding to Secondary education.

In addition, the Williamson Tea Foundation will be used to contribute even more to our workers and our neighbouring communities and in particular over issues concerning female health care.

WELFARE

The number of permanent and seasonal employees exceeded 2,150 with over 8,600 of their dependents who also benefit from the social and welfare amenities provided.

During the year, the Group spent over Sh 145 million on employees' pension, gratuities, leave and medical expenses over and above employees' direct wages. In addition, the Group incurred in excess of Sh 5 million on capital projects relating to employees welfare.

APPRECIATION

I would like to thank all our management staff led by the Managing Director, Mr. Alan Carmichael and Mr. Samuel Thumbi, our Visiting Agent, and the farm leadership of Ishmael Sang, Sospeter Angira and Charles Agui at Changoi, Kaimosi and Tinderet respectively. My thanks also go to our Nairobi Head Office staff together with the team at Williamson Power Limited.

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

E N K Wanjama

CHAIRMAN

27th June 2019

WILLIAMSON TEA KENYA PLC

STATEMENT OF CORPORATE GOVERNANCE

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

The Group is compliant in all areas of the Capital Markets Authority (CMA Code) on corporate governance guidelines save for the fact that, the Governance & Audit Committee was composed of only two independent directors up until the 26 March 2019 on the appointment of Mr. Edward Charles Magor as a director in the Governance & Audit Committee. This, however, is yet to be ratified at the Annual General Meeting scheduled for the 31 July, 2019. The Group continues to consider recommendations of the code and implement them where appropriate.

BOARD OF DIRECTORS

The Board consists of seven directors, five of whom are non-executive Directors including the Chairman. Among the non-executive directors are three independent Directors. 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 Company's Articles of Association.

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 Group and the Company's strategy and to lead the Company effectively.

There's 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 Company 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 the shareholders' 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 budget and half-year and annual accounts and to monitor operational performance. The Directors are given appropriate and timely information to enable them to maintain full and effective control. Except for direction and guidance on general policy, the Board has delegated authority for conduct of the day-to-day business to the 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 beforehand.

The Company Secretary is always available to the Board of Directors and is a member of both the Institute of Certified Public Accountants 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 Accountants of Kenya (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 7 to the financial statements.

DIRECTORS' SHAREHOLDING

None of the Directors as at end of the year March 2019 held shares in their individual capacity that were more than 2% of the Company's total equity (2018: None). The Directors' interest in the shares of the Company as at 31 March 2019 is summarised below:

Name	Number of Shares
E N K Wanjama	200
	====

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 compromises three non-executive Directors and professionals. The committee meets at least four times in the year.
The responsibilities of the committee include:

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

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

Nominating committee

The Board of the Group 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 on 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 and the Company comply 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 re-valued every three years.

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

Communication with shareholders

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

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 2019 the top 10 major shareholders were as follows;

	Name	Location	No of shares	%
1.	Ngong Tea Holdings Limited	London	9,012,328	51.46
2.	Upstream Investments Limited	Nairobi	649,346	3.71
3.	Baloobhai Chhotabhai Patel&Amarjeet B Patel	Nairobi	499,993	2.86
4.	CTC Global Investment Limited	Mauritius	483,600	2.76
5.	Garot International Limited	Nairobi	475,300	2.71
6.	Kanaiyalal Mansukhalal & Shah Lalitaben Kanaiyalal	Nairobi	329,066	1.88
7.	Sayani Investments Limited	Nairobi	204,700	1.17
8.	Kitersh Premchand Shah	Nairobi	195121	1.11
9.	Standard Chartered Nominees A/c 9280	Nairobi	172,700	0.99
10.	Bid Plantations Limited	Nairobi	145,900	0.83

Analysis of shareholders

By region:

Region	Number	Shares held	%
Foreign shareholders	85	10,469,120	59.78
Local & East Africa shareholders (Individuals)	1,563	4,929,576	28.15
Local & East Africa shareholders (Institutional)	94	2,113,944	12.07
	1,742	17,512,640	100.00

By shares distribution:

Less than 501	684	131,656	0.75
501-10,000	947	2,075,167	11.86
10,001- 100,000	97	2,720,511	15.52
100,001-1,000,000	13	3,572,978	20.41
Above 1,000,000	1	9,012,328	51.46
	1,742	17,512,640	100.00

2018/2019 BOARD & BOARD COMMITTEES MEMBERSHIP AND ATTENDANCE

Director	Classification	Designation		Board	Governance & Audit	Nominating and Staff & Remuneration
Ezekiel N.K Wanjama	Non-executive	Chairman of Board; Nominating and staff & remuneration committee	Membership	√		√
			Attendance	3/3		1/1
Alan L Carmichael	Executive	Managing Director	Membership	√		√
			Attendance	3/3		1/1
Mathew Koech	Non-executive	Chairman of Governance & Audit Committee	Membership	√	√	
			Attendance	3/3	2/2	
JP Brooks	Non-executive		Membership	√	√	
			Attendance	3/3	2/2	
P Magor	Non-executive		Membership	√		√
			Attendance	1/3		1/1
E Magor	Non-executive		Membership	√		
			Attendance	1/3		
S N Thumbi	Executive	Farm Director	Membership	√		
			Attendance	3/3		

√ Member of respective committee

- Where a director has missed a Board or Board Committee meeting, an acceptable apology had been received by the Chairman well in advance of the scheduled meeting.
- The Managing Director and Group Financial Controller are not members of the Governance & Audit Committee but attend by invitation.

E N K Wanjama
Chairman

27th June 2019

A L Carmichael
Managing Director

2019

DIRECTORS' REMUNERATION REPORT

The Directors remuneration report sets out the remuneration arrangements for the Directors of Williamson Tea Kenya Plc for the year ended 31 March 2019.

Remuneration policy for Executive and Non-Executive Directors

The Group and the Company seeks to provide remuneration packages that will attract, retain and motivate the right people with the necessary experience and ability to oversee the business. The remuneration package includes salaries, allowances, pension and other non-cash benefits for the executive Directors. The value of benefits provided will be reasonable in the market context and take account of the individual circumstances and benefits provided in comparable roles for companies within the Industry.

The non-executive directors are paid an annual fees plus allowances for attending meetings. The amount of fees reflects the attached responsibility and time commitment. Additional fees are paid for further responsibilities such as visiting the farms and attending other meetings as may be required for the business.
Travel and other costs incurred in the course of performing their duties are reimbursed in cash.

Changes to Director's remuneration

The remuneration package is subject to annual review, which considers both internal and external factors, responsibilities, inflation and company performance.

The auditable part of the Directors' Remuneration Report is as follows:

Directors' remuneration during the year

Non-Executive Directors

Name	2019			2018		
	Fees Sh'000	Sitting & other allowances Sh'000	Total Sh'000	Fees Sh'000	Sitting & other allowances Sh'000	Total Sh'000
Phillip Magor	3,964	29	3,993	3,464	48	3,512
Edward Magor	3,964	29	3,993	3,464	72	3,536
Mathew Koech	720	158	878	600	156	756
ENK Wanjama	1,080	244	1,324	900	220	1,120
JP Brooks	720	130	850	600	144	744
Total	**10,448**	**590**	**11,038**	**9,028**	**640**	**9,668**

Executive Directors

Name		2019				2018			
	Salaries & allowances Sh'000	Pension Sh'000	Non-cash benefits Sh'000	Long service award Sh'000	Total Sh'000	Salaries & allowances Sh'000	Pension Sh'000	Non-cash benefits Sh'000	Total Sh'000
Alan Carmichael	25,247	7,580	7,954	39,141	79,922	23,891	6,865	10,391	41,147
Samuel Thumbi	16,622	-	2,995	25,329	44,946	16,133	-	2,557	18,690
Total	**41,869**	**7,580**	**10,949**	**64,470**	**124,868**	**40,024**	**6,865**	**12,948**	**59,837**

There were no other sums paid to third parties in respect of Directors' fees.

Approval of the Directors remuneration report

The Directors confirm that this report has been prepared in accordance with the Kenyan Companies Act 2015, and the Capital Markets Authority (CMA) Code of Corporate Governance.

E N K Wanjama
Chairman

27th June 2019

WILLIAMSON TEA KENYA PLC

REPORT OF THE DIRECTORS

The Directors present their report together with the audited financial statements of Williamson Tea Kenya Plc (the "Company") and its subsidiaries (together the "Group") for the year ended 31 March 2019 which show the state of financial affairs of the Group and the Company.

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

	2019 Sh'000	2018 Sh'000
(Loss)/ profit before taxation	(212,415)	810,056
Taxation credit/(charge)	40,053	(307,287)
(Loss)/ profit for the year	(172,362)	502,769
Attributable to:		
Owners of the company	(164,412)	487,944
Non-controlling interests	(7,950)	14,825
(Loss)/ profit for the year	(172,362)	502,769

DIVIDENDS

The Directors recommend that a first and final dividend of Sh 20 per share (2018 – Sh 20) equivalent to a total sum of Sh 350,252,800 (2018 – Sh 350,252,800) be paid to the shareholders. The 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.

BUSINESS REVIEW

Performance

The Group faced various challenges during the year including volatile market conditions and climatic changes which impacted on the overall performance for the period. The Group crop production declined by 7% from 16.0 million kilos to 14.9 million kilos of made tea. The volumes of tea sold also reduced from 15.5 million kilos sold last year to 14.2 million kilos sold this year, an equivalent of 8%. The turnover on the other hand declined by 16% to Sh 3.4 billion compared to Sh 4 billion reported last year which was in line with the decline in the average tea prices from Sh 257 per kilo of made tea fetched last year to Sh 232 per kilo of made tea realised this year. As a result of the above, the Group recorded a total loss of Sh 172.8 million compared to a profit of Sh 502.8 million reported in the previous year

Principal risks & uncertainties

The Directors constantly review whether the policies and risk management programmes in place are appropriate and effective to manage and minimise the exposure in the long term.
The risks that the Group is exposed to include:

- Agricultural risk, which mainly entails climatic changes ranging from drought, floods and other adverse weather conditions that have a significant impact on the crop production. The Group has put in place sound agricultural practices to mitigate this agricultural risk.

BUSINESS REVIEW (Continued)

Principal risks & uncertainties (Continued)

- Financial risks which span across the markets and the financial aspects of the Group. These include the market risks, price risk, credit risk, currency risk, foreign exchange fluctuations exposure, liquidity risk, interest rate risk and other regulatory and taxation risks, both national and local, that affect the market and financial sector operations that could have a ripple effect on the Group.

- Operational risks mainly include both internal and external factors that affect the Group processes, personnel, technology and infrastructure. The legal and regulatory requirements plus other generally acceptable standards of corporate behaviour can have a significant impact on the operations of the company. Demands from the Labour Unions giving rise to increased labour costs, land tenure issues that affect the investment decisions of the Group, various internal and external political risks, and different levels of governance structures that affect the state of the infrastructure among others affect the operations of the Group.

- Environmental and social sustainability risks, which require development of policies and practices, that promote co-existence of the Group with both internal and external stakeholders. The Group continues to be actively and seriously involved in Corporate Social responsibilities with the local communities and preserve the environment as a critical aspect of sustainability and growth.

The Directors recognise the long-term nature of the business, its risks and uncertainties and retain a clear commitment to progress with emphasis on the human capital, which remains the most prized asset of the Group. The Directors and the management team continuously explore new ideas in order to fit in with the changing environment as they focus on enhancing shareholder value.

More details on the business review have been covered under the Chairman's Statement on pages 6 to 10 and Statement of Corporate Governance on pages 11 to 14.

DIRECTORS' STATEMENT AS TO INFORMATION GIVEN TO AUDITORS

Each of the persons who is a Director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Group's and Company's auditors are unaware; and
- the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Group's and Company's auditors are aware of that information.

AUDITORS

Deloitte & Touche, having expressed their willingness, continue in office in accordance with the provisions of section 721 (2) of the Kenyan Companies Act, 2015. The Directors monitor the effectiveness, objectivity and independence of the auditor. The Directors also approve the annual audit engagement contract, which sets out the terms of the auditor's appointment and the related fees

BY ORDER OF THE BOARD

G K Masaki

SECRETARY

27th June 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Kenyan Companies Act, 2015 requires the Directors to prepare financial statements for each financial year which give a true and fair view of the financial position of the Group and the Company at the end of the financial year and of their financial performance for the year then ended. It also requires the directors to ensure that the Company and its subsidiaries maintain proper accounting records that are sufficient to show and explain the transactions of the Company and its subsidiaries; disclose, with reasonable accuracy at any time the financial position of the Group and the Company; and that enables them to prepare financial statements of the Group and the Company that comply with prescribed financial reporting standards and the requirements of the Kenyan Companies Act, 2015. The Directors are also responsible for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors accept responsibility for the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 2015. They also accept responsibility for:

(i) designing, implementing and maintaining such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error;

(ii) selecting suitable accounting policies and applying them consistently; and

(iii) making accounting estimates and judgments that are reasonable in the circumstances.

In preparing the financial statements, the Directors have assessed the Group's and the Company's ability to continue as going concerns and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. Nothing has come to the attention of the Directors to indicate that the Group and the Company will not remain going concerns for at least the next twelve months from the date of this statement.

The Directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.

Approved by the Board of Directors on 27th June 2019 and signed on its behalf by:

E N K Wanjama
Chairman

A L Carmichael
Managing Director

Deloitte.

Deloitte & Touche
Certified Public Accountants (Kenya)
Deloitte Place
Waiyaki Way, Muthangari
P.O. Box 40092 - GPO 00100
Nairobi
Kenya

Tel: +254 (0) 20 423 0000
Cell: +254 (0) 719 039 000
Dropping Zone No.92
Email: admin@deloitte.co.ke
www.deloitte.com

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

Report on the Audit of the Consolidated and Company Financial Statements

Opinion

We have audited the consolidated and company financial statements of Williamson Tea Kenya Plc ("the Group") set out on pages 24 to 91, which comprise the consolidated and company statements of financial position as at 31 March 2019 and the consolidated and company statements of profit or loss and other comprehensive income, consolidated and company statements of changes in equity and consolidated and company statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and company financial statements give a true and fair view of financial position of the Group and the Company as at 31 March 2019 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and the requirements of the Kenyan Companies Act, 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA"s). Our responsibilities under those standards are further described in the *Auditor's responsibilities for Audit of the consolidated and company Financial Statements* section of our report.

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with other ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Key Audit Matter

A key audit matter is a matter that, in our professional judgement, was of most significance in our audit of the consolidated and company financial statements of the current period.

The key audit matter described below was addressed in the context of our audit of the consolidated and company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Report on the Audit of the Consolidated and Company Financial Statements (Continued)

Key Audit Matter (Continued)

Key Audit Matter	How our audit addressed the key audit matter
Valuation and measurement of biological assets Significant judgements and estimates are required by the Directors in determining the valuation and measurements of the biological assets. The assumptions and uncertainties involved in these estimates and significant judgments could have a material impact on the financial position and the results of the Group and Company and therefore the related valuation and measurement of biological assets is a key audit matter. At the end of year, the carrying value of the biological assets amounted to Sh 699,684,000 (2018 – Sh 703,168,000) and Sh 271,518,000 (2018 – Sh 348,962,000) for the Group and the Company respectively as disclosed in note 20 of the financial statements. The Group's and the Company's biological assets comprise fuel and timber plantations, which are measured at fair value less costs to sell. As disclosed in note 20 to the financial statements, significant assumptions and estimates are made in determining the fair value of the biological assets. The most significant assumptions and estimates include expected future market prices, estimate of the costs to sell, biological transformation and maturity period for the fuel and timber trees, and the discount rate for the expected cash flows. The determination of these assumptions and estimates require careful significant judgment by the Directors and any uncertainty could lead to material adjustments to the financial statements.	We focused our attention on the significant assumptions, estimates and key judgments made by Directors by performing the following: We assessed the competence and objectivity of the management's personnel with the responsibility of determining the valuation of the biological assets. In addition, we discussed the scope of their work and reviewed the fair valuation model used for consistency and mathematical accuracy. We confirmed that the approach and model used has been consistently applied. We performed an analysis of the significant assumptions made in the valuation models and tested them against available market information. We subjected the key assumptions to sensitivity analyses. In addition, we tested a selection of data inputs used against the Directors' financial and operational information and external sources, to assess the accuracy, reliability and completeness thereof. Based on our audit procedures, we found that the models used for the valuation of the biological assets to be appropriate and reasonable. In addition, the disclosures in the financial statements pertaining to the valuation and measurement of biological assets were found to be appropriate.

Other information

The Directors are responsible for the other information. The other information comprises Notice of the Annual General Meeting, Financial Highlights, Chairman's Statement, Statement of Corporate Governance, Directors' Remuneration Report, Statement of Directors' Responsibilities and Report of the Directors which were obtained prior to the date of this auditors' report. The other information does not include the consolidated and company financial statements and our auditors' report thereon.

Our opinion on the consolidated and company financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and company financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and company financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Report on the Audit of the Consolidated and Company Financial Statements (Continued)

Responsibilities of the Directors for the consolidated and company financial statements

The Directors are responsible for the preparation and fair presentation of the consolidated and company financial statements in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015, and for such internal control as the Directors determine are necessary to enable the preparation of consolidated and company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and company financial statements, the Directors are responsible for assessing the Group's and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group and/or Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the consolidated and company financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and company financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated and company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and/or the Company to cease to continue as going concerns.

- Evaluate the overall presentation, structure and content of the consolidated and company financial statements, including the disclosures, and whether the consolidated and company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and company financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Report on the Audit of the Consolidated and Company Financial Statements (Continued)

Auditors' responsibilities for the audit of the consolidated and company financial statements (Continued)

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with the relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the consolidated and company financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other matters prescribed by the Kenya Companies Act, 2015

Report of the Directors

In our opinion, the information given in the Report of the Directors on pages 17 to 18 is consistent with the consolidated and company financial statements.

Directors' Remuneration Report

In our opinion, the auditable part of the Directors' Remuneration report presented on pages 15 to 16 has been prepared in accordance with the Kenyan Companies Act, 2015.

Deloitte & Touche

Certified Public Accountants (Kenya)

Nairobi, Kenya

27 June **2019**

CPA F. Okwiri, Practicing certificate No. 1699.
Signing partner responsible for the independent audit

WILLIAMSON TEA KENYA PLC

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 Sh' 000	2018 Sh' 000
REVENUE	4(e)	3,351,779	3,984,971
FAIR VALUE (LOSSES)/GAINS:			
- Timber trees	20(a)	(13,023)	(46,604)
- Fuel trees	20(a)	6,225	84,358
		3,344,981	4,022,725
COST OF SALES		(3,067,151)	(2,663,357)
GROSS PROFIT		277,830	1,359,368
OTHER INCOME	5	30,056	17,761
DISTRIBUTION COSTS		(169,997)	(476,086)
ADMINISTRATIVE EXPENSES		(318,842)	(202,654)
INTEREST INCOME	6	67,441	52,781
FINANCE COSTS	6	(5,375)	(11,647)
NET FOREIGN EXCHANGE (LOSSES)/GAINS		(43,815)	4,704
SHARE OF (LOSS)/ PROFIT OF ASSOCIATE COMPANY	17	(49,713)	65,829
(LOSS)/ PROFIT BEFORE TAXATION	7	(212,415)	810,056
TAXATION CREDIT/(CHARGE)	9(a)	40,053	(307,287)
(LOSS)/ PROFIT FOR THE YEAR	10	(172,362)	502,769
COMPRISING:			
Attributable to the equity holders of the Company:			
(Loss)/profit arising from operating activities		(158,938)	455,080
(Losses)/gains arising from changes in fair value of biological assets (net of attributable taxation)		(5,474)	32,864
		(164,412)	487,944
Non - controlling interests:			
(Loss)/profit arising from operating activities	26	(8,665)	21,262
Gains/(losses) arising from changes in fair value of biological assets (net of attributable taxation)	26	715	(6,437)
		(7,950)	14,825
(LOSS)/ PROFIT FOR THE YEAR		(172,362)	502,769

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2019 (Continued)

	Note	2019 Sh' 000	2018 Sh' 000
(LOSS)/ PROFIT FOR THE YEAR		(172,362)	502,769
OTHER COMPREHENSIVE (LOSS)/INCOME			
Items that may not be reclassified subsequently to profit or loss			
(Deficit)/ surplus on revaluation of property and equipment		(400)	543,808
Deferred tax on revaluation (deficit)/ surplus	27	120	(163,142)
Share of gain on property revaluation of associate	17	-	44,776
TOTAL OTHER COMPREHENSIVE (LOSS)/ INCOME		(280)	425,442
TOTAL COMPREHENSIVE (LOSS)/ INCOME FOR THE YEAR		(172,642)	928,211
(LOSS)/ PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
Equity holders of the company		(164,412)	487,944
Non - controlling interests	26	(7,950)	14,825
		(172,362)	502,769
OTHER COMPREHENSIVE (LOSS)/ INCOME ATTRIBUTABLE TO:			
Equity holders of the company		(280)	405,633
Non - controlling interests	26	-	19,809
		(280)	425,442
TOTAL COMPREHENSIVE (LOSS)/INCOME ATTRIBUTABLE TO:			
Equity holders of the company		(164,692)	893,577
Non - controlling interests	26	(7,950)	34,634
		(172,642)	928,211
(LOSS)/EARNINGS PER SHARE – Basic and diluted	11	(9.39)	27.86

COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2019

	Note	2019 Sh' 000	2018 Sh' 000
REVENUE	4(e)	1,220,972	1,466,350
FAIR VALUE (LOSSES)/GAINS:			
- Timber trees	20(a)	(3,811)	2,145
- Fuel trees	20(a)	(72,371)	74,003
		1,144,790	1,542,498
COST OF SALES		(1,076,898)	(894,712)
GROSS PROFIT		67,892	647,786
OTHER INCOME	5	9,034	1,904
DIVIDEND RECEIVABLE		82,279	9,574
DISTRIBUTION COSTS		(58,265)	(172,188)
ADMINISTRATIVE EXPENSES		(184,333)	(66,547)
INTEREST INCOME	6	57,766	51,111
FINANCE COSTS	6	(5,369)	(10,059)
NET FOREIGN EXCHANGE (LOSSES)/GAINS		(21,111)	5,262
(LOSS)/PROFIT BEFORE TAXATION	7	(52,107)	466,843
TAXATION CREDIT/(CHARGE)	9(a)	26,761	(172,148)
(LOSS)/PROFIT FOR THE YEAR	10	(25,346)	294,695
COMPRISING:			
Attributable to the equity holders of the company:			
Profit arising from operating activities		27,981	241,391
(Losses)/gains arising from changes in fair value of biological assets (net of attributable taxation)		(53,327)	53,304
(LOSS)/PROFIT FOR THE YEAR		(25,346)	294,695
OTHER COMPREHENSIVE INCOME			
Items that may not be reclassified subsequently to profit or loss:			
Surplus on revaluation of property and equipment		-	249,830
Deferred tax on revaluation surplus	27	-	(74,948)
TOTAL OTHER COMPREHENSIVE INCOME		-	174,882
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		(25,346)	469,577

WILLIAMSON TEA KENYA PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019

	Notes	2019 Sh'000	2018 Sh'000
ASSETS			
Non- current assets			
Property, plant and equipment	13	3,672,274	3,968,782
Intangible assets	14	1,829	1,472
Prepaid operating leases	15	72,371	76,375
Investment properties	16	436,000	435,500
Investment in associate company	17	580,628	661,292
Unquoted investments	19	1,349	1,349
Biological assets – timber and fuel trees	20(a)	699,684	703,168
		5,464,135	5,847,938
Current assets			
Un-harvested green leaf	20(b)	21,523	44,646
Inventories	21	783,034	604,244
Trade and other receivables	22	366,439	2,093,446
Due from an associate company	23(a)	39,486	57,282
Corporate tax recoverable	9(c)	286,758	-
Short term bank deposits	24	872,898	496,849
Cash and bank balances	32(b)	437,645	360,669
		2,807,783	3,657,136
Total assets		8,271,918	9,505,074
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	25	87,563	87,563
Revaluation surplus		1,030,507	1,085,535
Retained earnings		5,001,707	5,461,624
Equity attributable to owners of the company		6,119,777	6,634,722
Non – controlling interests	26	197,598	212,635
Shareholders' funds		6,317,375	6,847,357
Non- current liabilities			
Deferred tax liability	27	967,735	1,097,375
Service gratuity provision	28	291,157	297,969
Borrowings	29	-	37,416
		1,258,892	1,432,760
Current liabilities			
Borrowings	29	37,380	60,065
Trade and other payables	30	607,512	966,181
Due to an associate company	23(c)	3,761	6,075
Dividends payable	31	46,998	35,101
Corporate tax payable	9(c)	-	157,535
		695,651	1,224,957
		8,271,918	9,505,074

The financial statements on pages 24 to 91 were approved and authorised for issue by the Board of Directors on 27th June 2019 and were signed on its behalf by:

E N K Wanjama
Chairman

A L Carmichael
Managing Director

WILLIAMSON TEA KENYAPLC

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019

	Note	2019 Sh'000	2018 Sh'000
ASSETS			
Non- current assets			
Property, plant and equipment	13	1,829,197	1,995,156
Intangible assets	14	1,319	775
Prepaid operating leases	15	10,698	11,695
Investment properties	16	436,000	435,500
Investment in associate company	17	49,479	49,479
Investment in subsidiary companies	18	109,877	109,877
Unquoted investments	19	546	546
Biological assets – timber and fuel trees	20	271,518	348,962
		2,708,634	2,951,990
Current assets			
Unharvested green leaf	20	15,250	19,759
Inventories	21	283,447	267,080
Trade and other receivables	22	141,953	803,490
Due from an associate company	23(a)	37,468	57,070
Due from subsidiary companies	23(b)	17,221	130,369
Corporate tax recoverable	9(c)	141,969	-
Short term bank deposits	24	752,459	480,077
Cash and bank balances	32(b)	135,589	208,327
		1,525,356	1,966,172
Total assets		4,233,990	4,918,162
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	25	87,563	87,563
Revaluation surplus		577,162	593,915
Retained earnings		2,603,637	2,962,483
Shareholders' funds		3,268,362	3,643,961
Non- current liabilities			
Deferred tax liability	27	485,837	562,250
Service gratuity provision	28	117,307	115,918
Borrowings	29	-	37,416
		603,144	715,584
Current liabilities			
Borrowings	29	37,380	60,065
Trade and other payables	30	258,168	354,373
Due to a subsidiary company	23(c)	19,938	20,621
Dividends payable	31	46,998	35,101
Corporate tax payable	9(c)	-	88,457
		362,484	558,617
Total equity and liabilities		4,233,990	4,918,162

The financial statements on pages 24 to 91 were approved and authorised for issue by the Board of Directors on 27th June 2019 and were signed on its behalf by:

E N K Wanjama
Chairman

A L Carmichael
Managing Director

WILLIAMSON TEA KENYA PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2019

	Note	Share capital	Revaluation surplus	Retained earnings: Biological assets fair value	Retained earnings: Other	Retained earnings: Total	Equity attributable to owners of the company	Non – controlling interests	Total
		Sh'000	Sh'000	Sh'000	Sh'000	Sh'000	Sh'000	Sh'000	Sh'000
At 1 April 2017		87,563	718,612	1,325,785	3,784,311	5,110,096	5,916,271	178,001	6,094,272
Profit for the year		-	-	32,864	455,080	487,944	487,944	14,825	502,769
Other comprehensive income		-	405,633	-	-	-	405,633	19,809	425,442
Total comprehensive income for the year		-	405,633	32,864	455,080	487,944	893,577	34,634	928,211
Excess depreciation transfer		-	(55,300)	-	55,300	55,300	-	-	-
Deferred tax on excess depreciation		-	16,590	-	(16,590)	(16,590)	-	-	-
Final dividends declared – 2017	26 & 31	-	-	-	(175,126)	(175,126)	(175,126)	-	(175,126)
At 31 March 2018		87,563	1,085,535	1,358,649	4,102,975	5,461,624	6,634,722	212,635	6,847,357
At 1 April 2018		87,563	1,085,535	1,358,649	4,102,975	5,461,624	6,634,722	212,635	6,847,357
Loss for the year		-	-	(5,474)	(158,938)	(164,412)	(164,412)	(7,950)	(172,362)
Other comprehensive loss		-	(280)	-	-	-	(280)	-	(280)
Total comprehensive loss for the year		-	(280)	(5,474)	(158,938)	(164,412)	(164,692)	(7,950)	(173,642)
Excess depreciation transfer		-	(78,212)	-	78,212	78,212	-	-	-
Deferred tax on excess depreciation		-	23,464	-	(23,464)	(23,464)	-	-	-
Final dividends declared – 2018	26 & 31	-	-	-	(350,253)	(350,253)	(350,253)	(7,087)	(357,340)
At 31 March 2019		87,563	1,030,507	1,353,175	3,648,532	5,001,707	6,119,777	197,598	6,317,375

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

The retained earnings in respect of biological assets represent 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 retained earnings represent accumulated profit arising from other normal operating activities. The reserve is available for distribution to the shareholders.

WILLIAMSON TEA KENYA PLC

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2019

	Note	Share capital Sh'000	Revaluation surplus Sh'000	Retained earnings: Biological assets fair value Sh'000	Retained earnings: Other Sh'000	Retained earnings: Total Sh'000	Total Sh'000
At 1 April 2017		87,563	443,311	590,094	2,228,542	2,818,636	3,349,510
Profit for the year		-	-	53,304	241,391	294,695	294,695
Other comprehensive income		-	174,882	-	-	-	174,882
Total comprehensive income for the year		-	174,882	53,304	241,391	294,695	469,577
Excess depreciation transfer		-	(34,683)	-	34,683	34,683	-
Deferred tax on excess depreciation		-	10,405	-	(10,405)	(10,405)	-
Final dividends declared – 2017	31	-	-	-	(175,126)	(175,126)	(175,126)
At 31 March 2018		87,563	593,915	643,398	2,319,085	2,962,483	3,643,961
At 1 April 2018		87,563	593,915	643,398	2,319,085	2,962,483	3,643,961
(Loss)/profit for the year		-	-	(53,327)	27,981	(25,346)	(25,346)
Other comprehensive income		-	-	-	-	-	-
Total comprehensive (loss)/income for the year		-	-	(53,327)	27,981	(25,346)	(25,346)
Excess depreciation transfer		-	(23,933)	-	23,933	23,933	-
Deferred tax on excess depreciation		-	7,180	-	(7,180)	(7,180)	-
Final dividends declared – 2018	31	-	-	-	(350,253)	(350,253)	(350,253)
At 31 March 2019		87,563	577,162	590,071	2,013,566	2,603,637	3,268,362

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

The retained earnings in respect of biological assets represent 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 retained earnings represent accumulated profit arising from other normal operating activities. The reserve is available for distribution to the shareholders.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2019

	Note	2019 Sh'000	2018 Sh'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	32(a)	1,538,909	307,995
Interest received	6	67,441	52,781
Interest paid	6	(5,375)	(11,647)
Taxation paid	9(c)	(533,759)	(51,225)
Net cash generated from operating activities		1,067,216	297,904
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment (note 13)	13	(238,217)	(172,149)
Purchase of intangible assets (note 14)	14	(539)	(859)
Proceeds from disposal of property, plant and equipment		7,308	11,938
Expenditure on biological assets	20	(8,113)	(8,868)
Dividend received - from associate company	17	30,951	9,286
Dividends received from other investments		-	425
Net cash used in investing activities		(208,610)	(160,227)
CASH FLOWS FROM FINANCING ACTIVITIES			
Asset finance loans repaid	29(b)	(60,138)	(56,845)
Dividends paid to shareholders	31	(338,356)	(173,028)
Dividends paid to minority interest	26	(7,087)	-
Net cash used in financing activities		(405,581)	(229,873)
INCREASE/(DECREASE) IN CASH AND EQUIVALENTS		453,025	(92,196)
CASH AND CASH EQUIVALENTS AT START OF YEAR		857,518	949,714
CASH AND CASH EQUIVALENTS AT END OF YEAR	32(b)	1,310,543	857,518

COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2019

	Note	2019 Sh'000	2018 Sh'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	32(a)	803,849	202,384
Interest received	6	57,766	51,111
Interest paid	6	(5,369)	(10,059)
Taxation paid	9(c)	(280,078)	(50,216)
Net cash generated from operating activities		576,168	193,220
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	13	(67,054)	(60,164)
Purchase of intangible assets	14	(187)	(573)
Proceeds from disposal of property, plant and equipment		7,024	2,706
Expenditure on biological assets	20	(92)	(2,021)
Dividends received from other investments		-	288
Dividend received - from subsidiaries and associate		82,279	9,286
Net cash generated from/(used in) investing activities		21,970	(50,478)
CASH FLOWS FROM FINANCING ACTIVITIES			
Asset finance loans repaid	29(b)	(60,138)	(56,845)
Dividends paid to shareholders	31	(338,356)	(173,028)
Net cash used in financing activities		(398,494)	(229,873)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		199,644	(87,130)
CASH AND CASH EQUIVALENTS AT START OF YEAR		688,404	775,535
CASH AND CASH EQUIVALENTS AT END OF YEAR	32(b)	888,048	688,404

1 REPORTING ENTITY

Williamson Tea Kenya Plc (The "Company/Parent") and its subsidiaries (together, the "Group") have the following principal activities; the cultivation, manufacture and sale of tea, investment in property and the sale and servicing of generators. Williamson Tea Kenya Plc is incorporated in Kenya under the Kenyan Companies Act as a public limited liability company and is domiciled in Kenya. The Company's shares are listed on the Nairobi Securities Exchange (NSE). Williamson Tea Kenya Plc and its subsidiaries operate in Kenya.

The address of the Group's registered office is as follows:

The Acacia Block, 2nd Floor,
Karen Office Park, Langata Road
Nairobi
P O Box 42281 - 00100

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

2 ACCOUNTING POLICIES

Statement of compliance

The consolidated and company financial statements ("financial statements") have been prepared in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act.

For the Kenyan Companies Act reporting purposes the balance sheet is represented by the statement of financial position and the profit and loss account is represented in the statement of profit or loss and other comprehensive income.

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

(i) Relevant new and amendments standards effective for the year ended 31 March 2019

Impact of initial application of IFRS 9 Financial Instruments

In the current year, the Group has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 April 2018. Williamson Tea Kenya Plc has applied IFRS 9 requirements on 1 April 2018. The transition provisions of IFRS 9 allow an entity not to restate comparatives. The company has elected not to restate comparatives in respect of the classification and measurement of financial instruments. Additionally, the company adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that were applied to the disclosures for 2019 only and not to the comparative period.

The standard amends the classification and measurement models for financial assets. See below.

a) Classification and measurement of financial assets

The company has applied the requirements of IFRS 9 to instruments that continue to be recognised as at 1 April 2018 and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. Comparative amounts in relation to instruments that continue to be recognised as at 1 April 2018 have not been restated where appropriate in accordance with the transition provisions of the standard.

The Group's statement of financial position only contains the following financial assets:

- Trade and other receivables
- Bank balances and short term deposits
- Due from related parties
- Unquoted investments

2 ACCOUNTING POLICIES (Continued)

Adoption of new and revised International Financial Reporting Standards (IFRS) (Continued)

(i) Relevant new and amendments standards effective for the year ended 31 March 2019 (continued)

Impact of initial application of IFRS 9 Financial Instruments (continued)

a) Classification and measurement of financial assets (continued)

There has been no change in the measurement criteria for any of the company's financial assets on adoption of IFRS 9 after the consideration of the business model and cash flow characteristics. Specifically, the trade receivables typically 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 amount outstanding, are measured subsequently at amortised cost and are subject to impairment. See (b) below.

b) Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. Specifically, IFRS 9 requires the company to recognise a loss allowance for expected credit losses on its financial assets as listed in (a) above. The company measured the loss allowance for trade receivables at an amount equal to lifetime expected credit loss (ECL).

The ECL on trade receivables is estimated using a provision matrix by taking into account past default experience and an analysis of the debtors' current financial position and adjusted for any factors that are specific to debtors' general economic conditions. There has been no material adjustments to existing provisions. See (e) below for further financial details of the adjustments. See note 28 for details on movement in provisions for the year.

The adoption of the standard has not resulted in any adjustments to the comparatives as allowed by the provisions of the standard.

c) Classification and measurement of financial liabilities

The application of IFRS 9 has not affected the company's accounting for its liabilities. The payables continue to be recognised initially at fair value and subsequently measured at amortised cost.

d) Disclosures in relation to the initial application of IFRS 9

There were no financial assets or financial liabilities which the Group had previously designated as at FVTPL under IAS 39 that were subject to reclassification or which the company has elected to reclassify upon the application of IFRS 9.

e) Impact of initial application of IFRS 9 on financial performance

In the current year, the Group has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of IFRS 9 allow an entity not to restate comparatives. The Group has elected not to restate comparatives in respect of the classification and measurement of financial instruments.

f) Day one adjustment

The Group's financial instruments as carried at fair value or amortised cost are all short term. The financial instruments held at amortized cost as at 31 March 2018 do not include any significant credit impairment. Accordingly, the application of IFRS 9 would not result in any significant adjustment to the opening balance and a day one adjustment to retained earnings has not been made.

The application of IFRS 9 has had no impact on the cash flows of the Group.

2 ACCOUNTING POLICIES (Continued)

Adoption of new and revised International Financial Reporting Standards (IFRS) (Continued)

(i) Relevant new and amendments standards effective for the year ended 31 March 2019 (continued)

Impact of application of IFRS 15 Revenue from Contracts with Customers

In the current year, the Group has applied IFRS 15 Revenue from Contracts with Customers (as amended in April 2016) which is effective for an annual period that begins on or after 1 April 2018. IFRS 15 introduced a five step approach to revenue recognition.

Revenue is recognised at an amount that reflects the consideration to which the entity expects to be entitled in exchange for goods and services and at a point when the performance obligations associated with these goods and services has been satisfied.

The Group has applied IFRS 15 in accordance with the fully retrospective transitional approach without using the practical expedients for completed contracts in IFRS 15:C5(a), and (b), or for modified contracts in IFRS 15:C5(c) but using the expedient in IFRS 15:C5(d) allowing both non-disclosure of the amount of the transaction price allocated to the remaining performance obligations, and an explanation of when it expects to recognise that amount as revenue for all reporting periods presented before the date of initial application, i.e. 1 April 2018.

The application of IFRS 15 has not had a significant impact on the Group's accounting policies as the nature of the Group's revenue is that revenue is recognised at a point in time. See section 2(d) for the Group's accounting policies for its revenue streams. IFRS 15 has not had a significant impact on the financial position and/or financial performance of the Group. Accordingly, there has been no adjustment for any of the financial statement line items as a result of the application of IFRS 15.

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

Annual Improvements to IFRS Standards 2014-2016 Cycle

The annual improvements to IFRSs 2014-2016 cycle include a number of amendments to various IFRSs, which are summarised below:

The amendments to IAS 28 Investments in Associates and Joint Ventures clarify that the option for a venture capital organisation and other similar entities to measure investments in associates and joint ventures at fair value through profit or loss (FVTPL) is available separately for each associate or joint venture, and that election should be made at initial recognition.

In respect of the option for an entity that is not an investment entity (IE) to retain the fair value measurement applied by its associates and joint ventures that are IEs when applying the equity method, the amendments make a similar clarification that this choice is available for each IE associate or IE joint venture.

The amendments to the standard had no impact on the company's financial statements.

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions

The amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions clarify the following aspects:

- In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments.

2 ACCOUNTING POLICIES (Continued)

Adoption of new and revised International Financial Reporting Standards (IFRS) (Continued)

(i) Relevant new and amendments standards effective for the year ended 31 March 2019 (continued)

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions (Continued)

- Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority (typically in cash), i.e. the share-based payment arrangement has a 'net settlement feature', such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

- A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows:

  i) the original liability is derecognised;
  ii) the equity-settled share-based payment is recognised at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date; and
  iii) any difference between the carrying amount of the liability at the modification date and the amount recognised in equity should be recognised in profit or loss immediately.

The amendments to the standard had no impact on the Group's financial statements

IFRIC 22 Foreign Currency Transactions and Advance Consideration

IFRIC 22 addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (for example, a non-refundable deposit or deferred revenue).

The Interpretation specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

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

Amendments to IAS 40 Transfers of Investment Property

The amendments to IAS 40 Transfers of Investments Property clarify the following aspects:

- Transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred.

- An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

The amendments to the standard had no impact on the Group's financial statements.

2 ACCOUNTING POLICIES (Continued)

Adoption of new and revised International Financial Reporting Standards (IFRS) (Continued)

(i) Relevant new and amendments standards effective for the year ended 31 March 2019 (continued)

Annual Improvements to IFRS Standards 2014-2016 Cycle

The annual improvements to IFRSs 2014-2016 cycle include a number of amendments to various IFRSs, which are summarised below:

The amendments to IAS 28 Investments in Associates and Joint Ventures clarify that the option for a venture capital organisation and other similar entities to measure investments in associates and joint ventures at FVTPL is available separately for each associate or joint venture, and that election should be made at initial recognition.

In respect of the option for an entity that is not an investment entity (IE) to retain the fair value measurement applied by its associates and joint ventures that are IEs when applying the equity method, the amendments make a similar clarification that this choice is available for each IE associate or IE joint venture.

The amendments to the standard had no impact on the Group's financial statements.

(ii) Relevant new and revised IFRS standards in issue but not effective for the year ended 31 March 2019

At the date of authorisation of these financial statements, the company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective and in some cases had not yet been adopted:

New and Amendments to standards	*Effective for annual periods beginning on or after*
IFRS 16 Leases	1 April 2019, with earlier application permitted
IFRS 17 Insurance Contracts	1 April 2022, with earlier application permitted
Amendments to IFRS 9: *Prepayment Features with Negative Compensation*	1 April 2019, with earlier application permitted
Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures	1 April 2019, with earlier application permitted
Annual Improvements to IFRS Standards 2015–2017	1 April 2019, with earlier application permitted
Amendments to IAS 19 Employee Benefits	1 April 2019, with earlier application permitted
IFRIC 23: *Uncertainty over Income Tax Treatments*	Effective for annual periods beginning on or after 1 April 2019
IFRS 10 Consolidated Financial Statements and IAS 28 (amendments)	Effective for annual periods beginning on or after a date to be determined

Adoption of new and revised International Financial Reporting Standards (IFRS) (Continued)

(iii) Impact of relevant new and revised IFRS standards in issue but not effective for the year ended 31 March 2019

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective. IFRS 16 will be adopted by the Group from 1 April 2019. The new standard eliminates the classification of leases as either operating leases or finance leases and instead introduces a single lease accounting model.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others.

The Group will make use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to apply to those leases entered or modified before 1 April 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to direct the use of that asset.

The Group will apply the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 April2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of IFRS 16, the Group has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not change significantly the scope of contracts that meet the definition of a lease for the Group.

Impact on Lessee Accounting

Operating leases

IFRS 16 will change how the Group accounts for leases previously classified as operating leases under IAS 17, which were off-balance sheet.

On initial application of IFRS 16, for all leases the Group will:

a) Recognise right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;

b) Recognise depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss;

c) Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated cash flow statement.

Lease incentives (e.g. rent-free period) will be recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease liability incentive, amortised as a reduction of rental expenses on a straight-line basis.

Adoption of new and revised International Financial Reporting Standards (IFRS) (Continued)

(iii) Impact of relevant new and revised IFRS standards in issue but not effective for the year ended 31 March 2019

Impact on Lessee Accounting (continued)

Operating leases (continued)

Under IFRS 16, right-of-use assets will be tested for impairment in accordance with IAS 36 Impairment of Assets. This will replace the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets, the Group will opt to recognise a lease expense on a straight-line basis as permitted by IFRS 16.

As at 31 March 2019, the Group has non-cancellable operating lease commitments of Sh 32,123,000. The Directors have assessed the impact of the application of IFRS 16 on the Group's financial statements and concluded that the impact would not be significant

Amendments to IFRS 9 Prepayment Features with Negative Compensation

The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the SPPI condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI.

The amendment applies to annual periods beginning on or after 1 April 2019, with earlier application permitted. There are specific transition provisions depending on when the amendments are first applied, relative to the initial application of IFRS 9.

The Directors of the Group do not anticipate that the application of the amendments in the future will have an impact on the consolidated and company financial statements.

Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures

The amendment clarifies that IFRS 9, including its impairment requirements, applies to long-term interests. Furthermore, in applying IFRS 9 to long-term interests, an entity does not take into account adjustments to their carrying amount required by IAS 28 (i.e., adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).

The amendments apply retrospectively to annual reporting periods beginning on or after 1 January 2019.

Earlier application is permitted. Specific transition provisions apply depending on whether the first-time application of the amendments coincides with that of IFRS 9.

The Directors of the Group do not anticipate that the application of the amendments in the future will have an impact on the consolidated and company financial statements.

Annual improvements to IFRS Standards 2015 – 2017 Cycle

The Annual Improvements to IFRS Standards 2015-2018 cycle makes amendments to the following standards:

- IAS 12 Income Taxes - The amendments clarify that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

2 ACCOUNTING POLICIES (Continued)

Adoption of new and revised International Financial Reporting Standards (IFRS) (Continued)

(iii) Impact of relevant new and revised IFRS standards in issue but not effective for the year ended 31 March 2019

Annual improvements to IFRS Standards 2015 – 2017 Cycle (Continued)

- IAS 23 Borrowing Costs - The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

- IFRS 11 Joint Arrangements - The amendments to IFRS 11 clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the entity does not remeasure its PHI in the joint operation. All the amendments are effective for annual periods beginning on or after 1 January 2019 and generally require prospective application. Earlier application is permitted.

All the amendments are effective for annual periods beginning on or after 1 April 2019 and generally require prospective application. Earlier application is permitted.

The Directors of the Group do not anticipate that the application of the amendments in the future will have an impact on the consolidated and company financial statements.

Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement

The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). IAS 19 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognised in the normal manner in other comprehensive income.

The paragraphs that relate to measuring the current service cost and the net interest on the net defined benefit liability (asset) have also been amended. An entity will now be required to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. In the case of the net interest, the amendments make it clear that for the period post plan amendment, the net interest is calculated by multiplying the net defined benefit liability (asset) as remeasured under IAS 19.99 with the discount rate used in the remeasurement (also taking into account the effect of contributions and benefit payments on the net defined benefit liability (asset)).

The amendments are applied prospectively. They apply only to plan amendments, curtailments or settlements that occur on or after the beginning of the annual period in which the amendments to IAS 19 are first applied. The amendments to IAS 19 must be applied to annual periods beginning on or after 1 January 2019, but they can be applied earlier if an entity elects to do so.

The Directors of the Group do not anticipate that the application of the amendments in the future will have an impact on the consolidated and company financial statements.

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires an entity to:

- determine whether uncertain tax positions are assessed separately or as a group; and

Adoption of new and revised International Financial Reporting Standards (IFRS) (Continued)

(iii) *Impact of relevant new and revised IFRS standards in issue but not effective for the year ended 31 March 2019*

IFRIC 23 Uncertainty over Income Tax Treatments (Continued)

- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
  - If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
  - If no, the entity should reflect the effect of uncertainty in determining its accounting tax position.

The Interpretation is effective for annual periods beginning on or after 1 April 2019. Entities can apply the Interpretation with either full retrospective application or modified retrospective application without restatement of comparatives retrospectively or prospectively.

The Directors of the Group do not anticipate that the application of the amendments in the future will have an impact on the consolidated and company financial statements.

(iv) *Early adoption of standards*

The Group did not early adopt new or amended standards in the period ended 31 March 2019.

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

Basis of preparation

The financial statements are prepared in terms of IFRS and the requirements of the Kenyan Companies Act.

The Group prepares its financial statements under the historical cost convention as modified by revaluation of certain assets.

Basis of consolidation

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of subsidiaries is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred. If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

2 ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

(b) Subsidiaries (Continued)

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiaries acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.
Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries, details of which are disclosed in note 18 to the financial statements and also includes the Group's share of the results of the associate company as disclosed in note 17 to the financial statements, all made up to 31 March.

Investments in subsidiary companies in the Company's financial statements are carried at cost less provision for impairment.

(c) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiaries is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(d) Disposal of subsidiaries

When the Group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as

The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

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.

2 ACCOUNTING POLICIES (Continued)

Investments in associate companies (Continued)

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.

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' consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Revenue recognition

The Group recognises revenue mainly from sale of made tea to the export and local markets. Revenue is shown net of value added tax (VAT), returns and discounts and after eliminating sales within the Group.

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer. The Group recognises revenue when it transfers control of a product or service to a customer.

For the sale of made tea, revenue is recognised when control of the tea has transferred, being at the fall of the hammer for confirmed bids at the auction, or at the point when the customer purchases the tea at the farm or the tea is delivered to the customer or on the date of bill of lading for direct exports. Payment is due immediately at the point the customer takes control of the tea.

Under the Group's standard contract terms, customers do not have a right to return due to the nature of the agricultural produce.

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.

2 ACCOUNTING POLICIES (Continued)

Inventories (Continued)

Obsolete and defective inventories are fully provided for. Spare parts are fully provided for if not used for 3 years and over.

Biological assets

Biological assets (unharvested green leaf, fuel plantations and timber plantations) have been stated at their fair value less estimated point-of-sale costs. Any gains or losses arising on initial recognition of biological assets and from subsequent changes in fair value less costs to sell are recognised through profit or loss in the year in which they arise. The tea bushes are bearer plants and are therefore presented and accounted for as property, plant and equipment (see note 13). However, the produce growing on these trees is accounted for as biological assets until the point of harvest. Harvested produce is transferred to inventory at fair value less costs to sell when harvested.

The un-harvested green leaf on tea bushes at the reporting date are measured at fair value less costs to sell using IAS 41- Agriculture. 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 is recognised as an expense in the profit or loss. The gain or loss in valuation of biological assets and agricultural produce is dealt with in the 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 Group and the Company's policy of revaluing certain items of property, plant and equipment after every three years.

The bases of valuation are as follows:

Land – open market value for the existing use (highest and best 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.

Bearer plants are classified as immature until the produce can be commercially harvested. At that point they are reclassified and depreciation commences. Immature plantations are measured at accumulated cost.

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.

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.

2 ACCOUNTING POLICIES (Continued)

Depreciation

No depreciation is provided on freehold land. Capital work in progress is not depreciated until the asset is brought into use. Other items of property, plant and equipment are depreciated on a straight line basis to write off the cost or valuation over their estimated useful lives. The 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%
Bearer plants	2% (50 years)

Bearer plants are depreciated on a straight line basis over the estimated productive lives of the tea bushes.

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, net of related deferred taxation.

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. Amortisation period and method are reviewed at each year end.

Leasehold land

Payments to acquire leasehold interest in land are treated as prepaid operating lease rentals and amortised over the period of the lease. When a lease includes land and buildings elements, the Group and the Company assess the classification of each element as either finance lease or operating lease. In determining classification of the land element, an important consideration is that land normally has an indefinite economic life. Therefore, the finance lease or operating lease classification of the land is considered a critical area of judgement. See note 3 to these financial statements.

Investment properties

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 derecognized 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 derecognized.

2 ACCOUNTING POLICIES (Continued)

Taxation

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

(i) Current taxation

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 and the Company'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 taxation

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 and the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Employee benefits costs

(i) Group's defined contribution retirement benefit scheme

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.

(ii) Statutory defined contribution pension scheme

The Group also contributes to the statutory National Social Security Fund. This is a defined contribution scheme registered under the National Social Security Act. The Group's obligations under the scheme are limited to specific contributions legislated from time to time. The Group's contribution in respect of retirement benefit costs are charged to the profit or loss account in the year which they relate.

(iii) Other 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 or compensated absences accrued at the end of the reporting period.

2 ACCOUNTING POLICIES (Continued)

Employee benefits costs (Continued)

(iii) Other employee entitlements (Continued)

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.

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 unless it relates to a revalued asset.

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 in profit or loss on a straight line basis over the terms of the relevant leases. Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

Assets held under finance leases are recognised as assets of the Group and the Company 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.

2 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.

Financial instruments

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

Financial assets

Classification

The Group and the Company 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 and the Company provide money, goods or services directly to a debtor with no intention of trading the receivable.

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 subsequently 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 and the Company's right to receive the dividends is established.

2 ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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 and the Company 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 year.

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. Reversal of an impairment loss is recognised in the profit or loss unless it relates to a revalued asset.

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 and the Company has transferred substantially all risks and rewards of ownership of the asset to another entity. If the Group and the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group and the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group and the Company retain substantially all the risks and rewards of ownership of a transferred financial asset, the Group and the Company continue 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.

Financial liabilities

Recognition and measurement

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 and other payables

Trade payables and other 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 and the Company and subsequently measured at amortised cost using the effective interest method.

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.

2 ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities (Continued)

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 assess 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 to changes in presentation in the current year.

3 CRITICAL JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's and the Company 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 and the Company's accounting policies

Impairment losses

At the end of each reporting period, the Group and the Company review 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. The recoverable amount is the higher of the asset's fair value less costs to sale and its value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group and the Company estimate 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.

3 CRITICAL JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(i) Critical judgments in applying the Group's and the Company's accounting policies (Continued)

Provision for inventory obsolescence

The Group and the Company reviews inventory regularly for obsolescence, and has a documented policy which guides management on determining if the slow moving and obsolete stocks need to be marked down for sale, provided for in full or written off. Judgement is required by management in assessing the value of slow moving and obsolete stocks.

Provision for doubtful debts

The Group and the Company review their debtors' portfolio regularly to assess the likelihood of impairment. This requires judgement of the amounts that are irrecoverable.

Classification of leases on land and buildings as finance or operating leases

At the inception of each lease of land or building, the Group and the Company consider the substance rather than the form of the lease contract. Examples of situations that individually or in combination would normally lead to a lease being classified as a finance lease are:

- The lease transfers ownership of the asset to the lessee by the end of the lease term;
- The lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised;
- The lease term is for the major part of the economic life of the asset even if title is not transferred;
- At the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; and
- The leased assets are of such a specialized nature that only the lessee can use them without major modifications.

The Group and the Company also considers indicators of situations that individually or in combination could also lead to a lease being classified as a finance lease. Examples of such indicators include:

- If the lessee can cancel the lease, the lessor's losses associated with the cancellation are borne by the lessee;
- gains or losses from the fluctuation in the fair value of the residual accrue to the lessee (for example, in the form of a rent rebate equaling most of the sales proceeds at the end of the lease); and the lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent.

Control over subsidiaries

Note 18 describes that Kaimosi Tea Estates Limited, Williamson Power Limited, Tea Properties Limited; Lelsa Tea Estates Limited and Tinderet Tea Estates (1989) Limited are subsidiaries of the Company as the Group has 100% ownership interest and voting right in all the companies except for Tinderet Tea Estates (1989) Limited where it has 82% of the ownership and voting rights.

The Directors assessed whether or not the Group has control over Kaimosi Tea Estates Limited, Williamson Power Limited, Tea Properties Limited; Lelsa Tea Estates Limited and Tinderet Tea Estates (1989) Limited based on whether the Group has the practical ability to direct the relevant activities of the subsidiaries unilaterally. In making their decisions the Directors considered the proportion of voting rights in the subsidiaries undertakings held directly by the parent company do not differ from the proportion of ordinary shares held. The Directors of the Group concluded that the parent company has control over the subsidiary companies.

3 CRITICAL JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(ii) Key sources of estimation uncertainty

Biological assets

The fair values of fuel and timber plantations are determined based on the prices existing in the market. The un-harvested green leaf on tea bushes at the reporting date are measured at fair value less costs to sell using IAS 41. The most significant assumptions and estimates include use of forecast market prices for tea, estimate of the costs to sell, biological transformation and maturity period for the fuel and timber trees, and the discount rate for the expected cash flows. The determination of these assumptions and estimates require careful judgment by the Directors and any uncertainty could lead to material adjustments to the financial statements. The methodology and assumptions used are reviewed regularly to try to minimize differences between estimates and actual experience.
The significant assumptions are set out in note 20.

Property, plant and equipment and intangible assets

Critical estimates are made by directors in determining the useful lives and residual values to property, plant and equipment and intangible assets 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.

Fair value measurement and valuation

Some of the Group's and the Company's assets and liabilities are measured at fair values for financial reporting purposes. In estimating the fair values of an asset or a liability, the Group and the Company use market observable data to the extent it is available. Where level I inputs are not available the Group and the Company engages third party qualified valuers to perform the valuation. The board and management work closely to establish the appropriate valuation techniques and inputs to the model.

Information about valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in notes 13 and 16.

Land tenure

The new constitution that was promulgated in August 2010 provided that a person who is note a citizen may hold land on the basis of leasehold tenure only and such leases, however granted, shall not exceed 99 years.

The Group's land titles in Kenya, which were originally either freehold or leases in excess of 900 years, were converted to 99 year leases with effect from 27th August 2010. In the current year, the Group has effected accrual for the amortisation of the operating leases over the remaining lease period. The Group has yet to receive the new title deeds.

4 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 focused on the principal activities and the products offered by the Group.

The identifiable reporting segments of the Group therefore are:

- Tea: The cultivation, manufacture and sale of tea.
- Property: Investment in property.
- Generator trading: 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 2.

4 SEGMENTAL INFORMATION (Continued)

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
2019				
Revenues and results				
Revenue	3,306,965	996	43,818	3,351,779
Other income	27,685	2,274	97	30,056
Interest income	47,702	17,747	1,992	67,441
Finance costs	(5,375)	-	-	(5,375)
Group's share of associate company results after tax	(49,713)	-	-	(49,713)
(Loss)/profit before taxation (including associate)	(228,824)	(10,211)	26,620	(212,415)
Assets and liabilities				
Segment assets	6,832,941	1,430,601	8,376	8,271,918
Segment liabilities	1,316,914	622,793	14,836	1,954,543
Other information				
Depreciation	474,899	5,435	683	481,017
Amortisation of prepaid operating lease	3,970	34	-	4,004
Amortisation of intangible assets	403	709	242	1,354
Capital expenditure	235,599	2,125	493	238,217

	Tea Sh'000	Property Sh'000	Generator trading Sh'000	Group Sh'000
2018				
Revenues and results				
Revenue	3,920,970	1,749	62,252	3,984,971
Other income	16,097	1,469	195	17,761
Interest income	34,238	16,873	1,670	52,781
Finance costs	11,647	-	-	11,647
Group's share of associate company results after tax	65,829	-	-	65,829
Profit before taxation (including associate)	790,910	14,896	4,250	810,056
Assets and liabilities				
Segment assets	5,506,898	3,937,924	60,252	9,505,074
Segment liabilities	1,987,420	660,485	9,812	2,657,717
Other information				
Depreciation	309,093	5,141	1,402	315,636
Amortisation of prepaid operating lease	49	34	-	83
Amortisation of intangible assets	1,270	487	253	2,010
Capital expenditure	170,547	1,635	826	173,008

Revenue reported above represents revenue generated from external customers.

4 SEGMENTAL INFORMATION (Continued)

d) Information on major customers

Included in revenues arising from tea sales of Sh 3.3 billion (2018: Sh 3.9 billion) are revenues of approximately Sh 1.4 billion (2018: Sh 3.3 billion) which arose from sales through the Group's exclusive marketing agent. No other single customer contributed 10% or more to the Group's revenue for both 2019 and 2018.

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:

	GROUP		COMPANY	
	2019	2018	2019	2018
	Sh'000	Sh'000	Sh'000	Sh'000
Global markets - exports	2,314,970	3,914,441	1,187,169	1,454,037
Kenya- domestic	1,036,809	70,530	33,803	12,313
	3,351,779	3,984,971	1,220,972	1,466,350

5 OTHER INCOME

	GROUP		COMPANY	
	2019	2018	2019	2018
	Sh'000	Sh'000	Sh'000	Sh'000
Fair value gain on investment properties (note 16)	500	-	500	-
Miscellaneous income	29,556	17,761	8,534	1,904
	30,056	17,761	9,034	1,904

6 FINANCE INCOME AND COSTS

Finance costs:

	GROUP		COMPANY	
	2019	2018	2019	2018
	Sh'000	Sh'000	Sh'000	Sh'000
Interest expense on:				
- bank overdrafts	(3)	(1,687)	(3)	(99)
- bank loans	(5,372)	(9,960)	(5,366)	(9,960)
	(5,375)	(11,647)	(5,369)	(10,059)

Interest income:

Interest on short term bank deposits	67,441	52,781	57,766	51,111

7 (LOSS)/ PROFIT BEFORE TAXATION

	GROUP		COMPANY	
	2019	2018	2019	2018
	Sh'000	Sh'000	Sh'000	Sh'000
The (loss)/profit before taxation is arrived at after charging:				
Depreciation of property and equipment (note 13)	481,017	315,636	212,932	140,005
Amortisation of intangible assets (note 14)	1,354	2,010	815	921
Amortisation of leasehold property (note 15)	4,004	83	997	12
Staff costs (note 8)	819,280	677,773	393,237	327,618
Directors' remuneration:				
Executive				
- Salaries and allowances	106,339	40,024	106,339	40,024
- Other benefits	18,529	19,813	18,529	19,813
Non – executive				
- Fees	10,448	9,028	10,449	9,028
- Other emoluments	590	640	590	640
Loss on disposal of property, plant and equipment	44,200	34,144	11,257	12,168
Auditors' remuneration	8,243	6,720	4,173	3,052
And after crediting:				
Operating lease rental income	996	1,750	996	1,750
Dividend income	30,951	9,711	82,279	9,574
Fair value gain on investment properties	500	-	500	-

8 STAFF COSTS

Wages and salaries	703,298	603,589	324,394	284,669
Social security costs (NSSF)	5,342	7,098	2,094	3,485
Pension costs (defined contribution plan)	33,623	17,024	29,032	13,050
Service gratuity and terminal benefits (Note 28)	22,237	10,016	9,922	5,760
Leave pay provision	31,826	18,749	14,639	8,231
Medical expenses	20,977	19,995	11,491	11,483
Other staff costs	1,977	1,302	1,665	940
	819,280	677,773	393,237	327,618

9 TAXATION

	GROUP		COMPANY	
	2019	2018	2019	2018
	Sh'000	Sh'000	Sh'000	Sh'000
a) TAXATION (CREDIT)/ CHARGE				
Current taxation based on the adjusted profit at 30% (2018:30%)				
- current year (credit)/ charge	92,559	315,959	52,772	163,029
- prior year (over)/under provision	(3,092)	59,089	(3,120)	44,671
	89,467	375,048	49,652	207,700
Deferred taxation (note 27):				
-current year (credit)/ charge	(83,858)	(16,842)	(66,122)	6,164
-prior year over provision	(45,662)	(50,919)	(10,291)	(41,716)
	(129,520)	(67,761)	(76,413)	(35,552)
Taxation (credit)/ charge	(40,053)	307,287	(26,761)	172,148
b) RECONCILIATION OF EXPECTED TAX BASED ON ACCOUNTING (LOSS)/ PROFIT TO TAX (CREDIT) CHARGE				
Accounting (loss)/ profit before taxation	(212,415)	810,056	(52,107)	466,843
Tax at the applicable rate of 30% (2018:30%)	(63,725)	243,017	(15,632)	140,053
Tax effect of income not taxable				
- qualifying dividends	(24,684)	(7,546)	(24,684)	(5,062)
Pension/provident fund contribution	9,379	4,269	8,267	3,424
Donations	4,174	10,689	1,994	9,891
Tax effect of other expenses not deductible for tax purposes	73,267	84,622	16,705	20,887
Share of associate's tax	10,290	(35,934)	-	-
Prior year (over)/under provision of current tax	(3,092)	59,089	(3,120)	44,671
Prior year over provision of deferred tax	(45,662)	(50,919)	(10,291)	(41,716)
Taxation (credit)/ charge	(40,053)	307,287	(26,761)	172,148

9 TAXATION (Continued)

	GROUP		COMPANY	
	2019	2018	2019	2018
	Sh'000	Sh'000	Sh'000	Sh'000
c) CORPORATE TAX BALANCES				
At beginning of the year:				
Taxation payable/(recoverable)	157,535	(166,288)	88,457	(69,027)
Taxation charge	92,559	315,959	52,772	163,029
Prior year (over)/under provision	(3,092)	59,089	(3,120)	44,671
Taxation paid	(533,759)	(51,225)	(280,078)	(50,216)
At end of the year	(286,758)	157,535	(141,969)	88,457
Consisting of:				
Tax payable	-	157,535	-	88,457
Tax recoverable	(286,758)	-	(141,969)	-
	(286,758)	157,535	(141,969)	88,457

10 (LOSS)/PROFIT FOR THE YEAR - COMPANY

The Company loss for the year of Sh (25,346,000) (2018: profit of Sh 294,695,000) has been dealt with in the consolidated financial statements of Williamson Tea Kenya Plc.

11 (LOSS)/ EARNINGS PER SHARE

(Loss)/earnings per share is calculated by dividing the (loss)/profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

	2019	2018
Group		
(Loss)/earnings		
(Loss)/profit attributable to equity holders of the company (Sh'000)	(164,412)	487,944
Weighted average number of ordinary shares		
Number of ordinary shares (note 25)	17,512,640	17,512,640
(Loss)/earnings per share		
Basic and diluted (Sh)	(9.39)	27.86

There were no potentially dilutive shares outstanding at 31 March 2019 and at 31 March 2018. Diluted (loss)/earnings per share is therefore same as basic (loss)/earnings per share.

12 PROPOSED DIVIDENDS

The Group did not pay an interim dividend in 2019 (2018 – Sh nil).

In respect of the current year, the Directors propose that a dividend of Sh 20 per share (2018 – Sh 20 per share) amounting to a total of Sh 350,253,000(2018 – Sh 350,253,000) be paid to shareholders. This dividend is subject to approval by shareholders at the Annual General Meeting and has therefore not been included as a liability in these financial statements.

13 PROPERTY, PLANT AND EQUIPMENT

GROUP

	Land and buildings Sh 000	Machinery & equipment Sh 000	Tractors & accessories Sh 000	Motor vehicles Sh 000	Office equipment furniture & fittings Sh 000	Bearer plants Sh 000	Computers Sh 000	Work in progress Sh 000	Total Sh 000
COST OR VALUATION									
At 1 April 2017	1,312,004	961,439	101,931	106,102	43,327	1,787,306	55,198	193,395	4,560,702
Additions	3,993	25,543	7,832	10,762	1,025	-	3,520	119,474	172,149
Transfer from WIP	8,253	48,914	825	-	280	35,458	1,981	(95,711)	-
Disposals	-	(10,000)	(2,769)	(1,947)	(408)	(66,843)	(10,110)	-	(92,077)
Revaluation adjustment	45,825	(125,973)	-	-	-	-	-	-	(80,148)
At 31 March 2018	1,370,075	899,923	107,819	114,917	44,224	1,755,921	50,589	217,158	4,560,626
Comprising:									
At Valuation-2018	1,313,509	358,161	-	-	-	-	-	-	1,671,670
At Cost	56,566	541,762	107,819	114,917	44,224	1,755,921	50,589	217,158	2,888,956
Total	1,370,075	899,923	107,819	114,917	44,224	1,755,921	50,589	217,158	4,560,626
At 1 April 2018	1,370,075	899,923	107,819	114,917	44,224	1,755,921	50,589	217,158	4,560,626
Additions	2,866	38,470	11,321	16,105	1,066	-	4,341	164,048	238,217
Transfer from WIP	4,633	76,786	-	-	715	22,054	402	(104,590)	-
Transfer to intangible assets	-	-	-	-	-	-	-	(1,800)	(1,800)
Disposals	-	(11,710)	(2,399)	(13,152)	(265)	(55,350)	(722)		(83,598)
Revaluation adjustment	(500)	-	-	-	-	-	-		(500)
At 31 March 2019	1,377,074	1,003,469	116,741	117,870	45,740	1,722,625	54,610	274,816	4,712,945
Comprising:									
At Valuation-2019	1,313,009	358,161	-	-	-	-	-	-	1,671,170
At Cost	64,065	645,308	116,741	117,870	45,740	1,722,625	54,610	274,816	3,041,775
Total	1,377,074	1,003,469	116,741	117,870	45,740	1,722,625	54,610	274,816	4,712,945

13 PROPERTY, PLANT AND EQUIPMENT (Continued)

GROUP (Continued)	Land and buildings Sh 000	Machinery & equipment Sh 000	Tractors & accessories Sh 000	Motor vehicles Sh 000	Office equipment furniture & fittings Sh 000	Bearer plants Sh 000	Computers Sh 000	Work in progress Sh 000	Total Sh 000
DEPRECIATION									
At 1 April 2017	228,009	229,500	79,681	85,712	26,934	237,460	46,114	12,749	946,159
Charge for the year	74,777	104,134	8,379	9,882	3,012	111,384	4,068	-	315,636
Eliminated on disposal	-	(7,862)	(2,715)	(1,948)	(372)	(23,051)	(10,047)	-	(45,995)
Eliminated on revaluation	(302,223)	(321,733)	-	-	-	-	-	-	(623,956)
At 31 March 2018	563	4,039	85,345	93,646	29,574	325,793	40,135	12,749	591,844
At 1 April 2018	563	4,039	85,345	93,646	29,574	325,793	40,135	12,749	591,844
Charge for the year	217,729	130,362	8,328	10,566	2,938	106,640	4,454	-	481,017
Eliminated on disposal	-	-	(2,399)	(13,152)	(265)	(15,553)	(721)	-	(32,090)
Eliminated on revaluation	(100)		-	-	-	-	-	-	(100)
At 31 March 2019	218,192	134,401	91,274	91,060	32,247	416,880	43,868	12,749	1,040,671
NET BOOK VALUE									
At 31 March 2019	1,158,882	869,068	25,467	26,810	13,493	1,305,745	10,742	262,067	3,672,274
At 31 March 2018	1,369,512	895,884	22,474	21,271	14,650	1,430,128	10,454	204,409	3,968,782
NET BOOK VALUE (Cost basis)									
At 31 March 2019	317,613	238,184	25,467	26,810	13,493	1,305,745	10,742	262,067	2,200,121
At 31 March 2018	432,020	282,612	22,474	21,271	14,650	1,430,128	10,454	204,409	2,418,018

Land, buildings and machinery were last revalued as at 31 March 2018 by an independent valuer, Lloyd Masika Limited, Registered Valuers and Estate Agents, on the basis of open market value for the existing use.

Buildings owned by Tea Properties Limited were valued by Lloyd Masika Limited, registered valuers on an open market basis in February 2019. The effective date of the revaluation was 31 March 2019. Included in property, plant and equipment are assets with an original cost of Sh 340,534,727 (2018 - Sh 333,037,557) which are fully depreciated and whose normal depreciation charge for the year would have been Sh 123,499,282 (2018 – Sh 56,927,000).

Land and buildings with net book value of Sh 1,158,882,000 (2018 – Sh 1,482,164,000) have been charged to secure banking facilities granted to the Group as disclosed in note 29.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 PROPERTY, PLANT AND EQUIPMENT (Continued)

The capital work in progress comprises costs incurred in the construction of plant and machinery at the tea estates and costs incurred on immature tea bushes (bearer plants).

Company

	Land and buildings Sh 000	Machinery and equipment Sh 000	Tractors and accessories Sh 000	Motor vehicles Sh 000	Office equipment furniture and fittings Sh 000	Computers Sh 000	Bearer plants Sh 000	Work in progress Sh 000	Total Sh 000
COST OR VALUATION									
At 1 April 2017	840,172	499,622	38,996	50,622	29,817	26,308	698,855	73,611	2,258,003
Additions	2,235	4,312	7,832	5,717	702	1,392	-	37,974	60,164
Disposals	-	(1,429)	(323)	-	-	(1,823)	(18,335)	-	(21,910)
Transfer from work in progress	7,342	8,566	-	-	23	-	15,344	(31,275)	-
Revaluation adjustment	33,428	(80,684)	-	-	-	-	-	-	(47,256)
At 31 March 2018	883,177	430,387	46,505	56,339	30,542	25,877	695,864	80,310	2,249,001
Comprising:									
At valuation – 2018	863,313	55,842	-	-	-	-	-	-	919,155
At cost	19,864	374,545	46,505	56,339	30,542	25,877	695,864	80,310	1,329,846
	883,177	430,387	46,505	56,339	30,542	25,877	695,864	80,310	2,249,001
At 1 April 2018	883,177	430,387	46,505	56,339	30,542	25,877	695,864	80,310	2,249,001
Additions	1,113	22,183	6,500	12,733	774	1,424	-	22,327	67,054
Disposals	-	(5,745)	-	(13,152)	-	(640)	(17,908)	-	(37,445)
Transfer from work in progress	2,340	20,402	-	-	-	-	9,075	(31,817)	-
Transfer to intangible assets	-	-	-	-	-	-	-	(1,800)	(1,800)
At 31 March 2019	886,630	467,227	53,005	55,920	31,316	26,661	687,031	69,020	2,276,810
Comprising:									
At valuation – 2019	863,313	55,842	-	-	-	-	-	-	919,155
At cost	23,317	411,385	53,005	55,920	31,316	26,661	687,031	69,020	1,357,655
	886,630	467,227	53,005	55,920	31,316	26,661	687,031	69,020	2,276,810

13 PROPERTY, PLANT AND EQUIPMENT (Continued)

Company (Continued)

	Land and buildings Sh 000	Machinery and equipment Sh 000	Tractors and accessories Sh 000	Motor vehicles Sh 000	Office equipment furniture and fittings Sh 000	Computers Sh 000	Bearer plants Sh 000	Work in progress Sh 000	Total Sh 000
DEPRECIATION									
At 1 April 2017	99,838	117,814	27,701	39,577	16,770	22,181	94,082	-	417,963
Charge for the year	36,854	45,628	2,931	4,743	2,527	1,788	45,534	-	140,005
Eliminated on disposals	-	(1,657)	(269)	-	-	(1,782)	(3,328)	-	(7,036)
Eliminated on revaluation	(136,692)	(160,395)	-	-	-	-	-	-	(297,087)
At 31 March 2018	-	1,390	30,363	44,320	19,297	22,187	136,288	-	253,845
At 1 April 2018	-	1,390	30,363	44,320	19,297	22,187	136,288	-	253,845
Charge for the year	100,191	53,813	3,566	7,295	2,418	1,725	43,924	-	212,932
Eliminated on disposals	-	-	-	(13,152)	-	(639)	(5,373)	-	(19,164)
At 31 March 2019	100,191	55,203	33,929	38,463	21,715	23,273	174,839	-	447,613
NET BOOK VALUE									
At 31 March 2019	786,439	412,024	19,076	17,457	9,601	3,388	512,192	69,020	1,829,197
At 31 March 2018	883,177	428,997	16,142	12,019	11,245	3,690	559,876	80,310	1,995,156
NET BOOK VALUE (Cost basis)									
At 31 March 2019	245,529	128,417	19,076	17,457	9,601	3,388	512,192	69,020	1,004,680
At 31 March 2018	312,116	151,608	16,142	12,019	11,245	3,690	559,876	80,310	1,147,006

13 PROPERTY, PLANT AND EQUIPMENT (Continued)

Land, building and machinery were last revalued as at 31 March 2018 by an independent valuer, 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 140,367,658 (2018 - Sh 45,191,005) which are fully depreciated.

Land and buildings with net book value of Sh 683,199,000 (2018 – Sh 683,199,000) have been charged to secure banking facilities granted to the Group as disclosed in note 29.

The capital work in progress comprises costs incurred in the construction of plant and machinery and costs incurred on immature tea bushes (bearer plants).

13 PROPERTY, PLANT AND EQUIPMENT (Continued)

Fair value measurement of the Group's buildings and machinery and equipment

The Group's land, buildings and machinery and equipment are stated at their revalued amounts, being the fair values at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value measurements of the Group's buildings and machinery & equipment as at 31 March 2018 was performed by Lloyd Masika Limited, registered and independent valuers using the open market value and net current replacement cost methods respectively. The significant inputs included the estimated construction and purchase costs and other ancillary expenditures, and appropriate depreciation factors. Lloyd Masika Limited are registered valuers with the Valuers Registration Board and they have appropriate qualifications and relevant and recent experience in the fair value measurement of properties in the various locations in Kenya. The fair value of buildings was determined by reference to market evidence of recent transactions for similar properties.

IFRS 13 specifies a hierarchy of valuation techniques based on whether inputs used in the valuation techniques of financial instruments are observable or unobservable. Financial instruments are grouped into 3 levels based on the degree to which fair value data / input is observable.

a) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed debt and equity instruments traded mainly on the Nairobi Securities Exchange.

b) Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as a price) or indirectly (i.e. derived from prices). Input data for this category is sourced mainly from Reuters and the Nairobi Securities Exchange.

c) Level 3 fair value measurements are those based on the best information available. The Group and the Company should utilise all reasonably available information, but need not incur excessive cost or effort to do so. However, it should not ignore information that can be obtained without undue cost and effort. As such, the reporting entity's own data should be adjusted if information is reasonably available without undue cost and effort.

Details of the Group's buildings and machinery and equipment and information about fair value hierarchy as at 31 March 2019 are as follows:

	Level 1 Sh'000	Level 2 Sh '000	Level 3 Sh'000	Fair value as at 31 March Sh '000
GROUP				
31 March 2019				
Buildings	-	-	1,158,882	1,158,882
Machinery and equipment	-	-	869,068	869,068
	-	-	2,027,950	2,027,950
31 March 2018				
Buildings	-	-	1,369,512	1,369,512
Machinery and equipment	-	-	895,884	895,884
	-	-	2,265,396	2,265,396
COMPANY				
31 March 2019				
Buildings	-	-	786,439	786,439
Machinery and equipment	-	-	412,024	412,024
	-	-	1,198,463	1,198,463
31 March 2018				
Buildings	-	-	883,177	883,177
Machinery and equipment	-	-	428,997	428,997
	-	-	1,312,174	1,312,174

13 PROPERTY, PLANT AND EQUIPMENT (Continued)

Fair value measurement of the Group's buildings and machinery and equipment (Continued)

There were no transfers between level 1, level 2 and level 3 during the year.

A 10% increase in the depreciation factor would result in Sh 48,102,000 (2018: Sh 31,563,000) decrease in the fair value of the buildings and machinery.

	GROUP		COMPANY	
	2019	2018	2019	2018
	Sh'000	Sh'000	Sh'000	Sh'000
14 INTANGIBLE ASSETS (COMPUTER SOFTWARE)				
COST				
At beginning of year	22,473	21,614	11,396	10,823
Additions	539	859	187	573
Transfer from PPE	1,800	-	1,800	-
Impaired*	(628)	-	(628)	-
At end of year	24,184	22,473	12,755	11,396
AMORTISATION				
At beginning of year	21,001	18,991	10,621	9,700
Amortisation for the year	1,354	2,010	815	921
At end of year	22,355	21,001	11,436	10,621
NET BOOK VALUE				
At end of year	1,829	1,472	1,319	775

*The impairment on intangible assets relates to a software development project that has been abandoned.

	GROUP		COMPANY	
	2019	2018	2019	2018
	Sh'000	Sh'000	Sh'000	Sh'000
15 PREPAID OPERATING LEASES				
COST				
At beginning and end of the year	81,581	81,581	12,612	12,612
AMORTISATION				
At beginning of year	5,206	5,123	917	905
Amortisation charge for the year**	4,004	83	997	12
At end of year	9,210	5,206	1,914	917
NET BOOK VALUE				
At end of year	72,371	76,375	10,698	11,695

Prepaid operating leases relate to leasehold land located in Williamson Tea Kenya Plc Changoi Estate, Tinderet Tea Estates (1989) Limited and Kaimosi Tea Estates Limited. Leasehold land have been charged to secure banking facilities granted to the Group as disclosed in Note 29. Leasehold land were last revalued as at 31 March 2019 by Lloyd Masika Ltd, Registered Valuers and Estate Agents, based on open market value.

**The Group's land titles in Kenya, which were originally either freehold or leases of 999 years, were converted to 99 year leases with effect from 27th August 2010. In the current year, the Group has effected accrual for the amortisation of the operating leases over the remaining lease period.

16 INVESTMENT PROPERTIES

	GROUP & COMPANY	
	2019	2018
	Sh'000	Sh'000
At fair value:		
At beginning of year	435,500	435,500
Fair value gain (Note 5)	500	-
At end of year	436,000	435,500
At cost basis	11,591	11,591

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

Rental income generated from investment property

Rental income generated from investment property during the year	996	1,750

Direct operating expenses arising from investment property

Direct operating expenses from investment property that generated rental income during the year	228	228

Fair value measurement of the Group's investment properties

The Investment properties are stated at their revalued amounts, being the fair values at the date of revaluation, less any impairment losses. The fair value measurements of the Investment properties as at 31 March 2019 and 31 March 2018 were performed by Lloyd Masika Limited, Registered and independent Valuers and Estate Agents. Lloyd Masika Limited, are members of the Institute of Surveyors of Kenya and they have appropriate qualifications and relevant and recent experience in the fair value measurement of properties in the various locations in Kenya. The fair value of buildings was determined by reference to market evidence of recent transactions for similar properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use. Rental income from similar properties is used in the determination of fair value

Details of the Group's investment properties and information about fair value hierarchy as at 31 March are as follows:

	Level 1	Level 2	Level 3	Fair value as at 31 March
	Sh'000	Sh'000	Sh'000	Sh'000
31 March 2019				
Investment properties (all located in Nairobi area)	-	-	436,000	436,000
31 March 2018				
Investment properties (all located in Nairobi area)	-	-	435,500	435,500

There were no transfers between level 1, level 2 and level 3 during the year.

17 INVESTMENT IN ASSOCIATE COMPANY

	2019 Sh'000	2018 Sh'000
GROUP		
Kapchorua Tea Kenya Plc (Quoted) - 39.56% owned:		
At share of net assets	580,628	661,292
The movement in Group investment in associate company is as follows:		
At beginning of year	661,292	559,973
Share of total (loss)/profit	(49,713)	65,829
Share of other comprehensive income	-	44,776
Share of comprehensive (loss)/income	(49,713)	110,605
Dividend received	(30,951)	(9,286)
At end of year	580,628	661,292
Share of total comprehensive (loss)/income comprise of:		
Share of results	(49,713)	65,829
Share of gain on property revaluation	-	44,776
COMPANY		
Kapchorua Tea Kenya Plc (Quoted);		
39.56% owned:		
At cost	49,479	49,479

The details of the above associate company are as follows:

Company	*Share capital Sh*	*Proportion of ownership interest and voting power held by the group 31 March 2019*	*31 March 2018*	*Place of Incorporation*	*Principal activity*
Kapchorua Tea Kenya Plc	39,120,000	39.56%	39.56%	Kenya	Cultivation, manufacture and sale of tea

The associate company is accounted for using the equity method in these consolidated financial statements.

The audited summarized financial information as of 31 March 2019 in respect of the associate company, Kapchorua Tea Kenya Plc is set out below:

17 INVESTMENT IN ASSOCIATE COMPANY (Continued)

	2019 Sh'000	2018 Sh'000
Non-current assets	1,160,784	1,392,411
Current assets	872,038	1,096,632
Non-current liabilities	(372,130)	(441,825)
Current liabilities	(193,329)	(375,599)
Net assets	1,467,363	1,671,619
Group's share of the net assets	580,489	661,292
Revenue	1,421,265	1,429,341
(Loss)/profit before taxation	(151,676)	257,238
Taxation credit/(charge)	25,660	(90,833)
(Loss)/profit for the year	(126,016)	166,405

18 INVESTMENT IN SUBSIDIARY COMPANIES

(a) Unquoted investments at cost in wholly owned subsidiaries:

	2019 Sh'000	2018 Sh'000
Kaimosi Tea Estates Limited	2,863	2,863
Williamson Power Limited	3,689	3,689
Tea Properties Limited	2	2
Lelsa Tea Estates Limited*	-	-
	6,554	6,554

(b) Unquoted investment at cost in partially owned subsidiaries:

	2019 Sh'000	2018 Sh'000
Tinderet Tea Estates (1989) Limited (82% owned)	103,323	103,323
	109,877	109,877

*Investment in Lelsa Tea Estates Limited is fully impaired.

18 INVESTMENT IN SUBSIDIARY COMPANIES (Continued)

The details of the above subsidiary companies are as follows:

Company	*Share capital Sh*	*Place of Incorporation and operation*	*Principal activity*	*Proportion of ownership interest and voting power held by the group 31 March 2019*	*31 March 2018*
Kaimosi Tea Estates Limited	2,540,000	Kenya	Cultivation, manufacture and sale of tea	100%	100%
Williamson Power Limited	2,880,000	Kenya	Sale, installation and servicing of generators	100%	100%
Tea Properties Limited	2,000	Kenya	Property investment	100%	100%
Lelsa Tea Estates Limited	4,000,000	Kenya	Dormant company	100%	100%
Tinderet Tea Estates (1989) Limited	100,000	Kenya	Cultivation, manufacture and sale of tea	82%	82%

The proportion of voting rights in the subsidiaries undertakings held directly by the parent company do not differ from the proportion of ordinary shares held. The directors of the Group concluded that the parent company has control over the subsidiary companies.

18 INVESTMENT IN SUBSIDIARY COMPANIES (Continued)

Summarised financial information on subsidiaries with material non- controlling interest

The summarised financial information below represents amounts before intragroup eliminations.

Tinderet Tea Estates (1989) Limited
As at 31 March

	2019 Sh'000	2018 Sh'000
Non-current assets	1,174,985	1,195,928
Current assets	567,683	819,192
Non-current liabilities	(330,059)	(364,727)
Current liabilities	(180,400)	(334,644)
Equity attributable to the owners of the company	1,010,411	1,078,914
Non-controlling interest	18%	18%
Revenue	909,925	1,104,166
Expenses	(954,093)	(1,021,810)
(Loss)/profit for the year	(44,168)	82,356
(Loss)/profit attributable to the owners of the company	(36,218)	67,531
(Loss)/profit attributable to non-controlling interest	(7,950)	14,825
	(44,168)	82,356
Dividends paid to non-controlling interest	7,087	-
Net cash inflow from operating activities	269,050	36,801
Net cash outflow from investing activities	(112,948)	(39,969)
Net cash outflow from financing activities	(39,372)	-
Net cash inflow/(outflow)	116,730	(3,168)

19 UNQUOTED INVESTMENTS

	2019	2018
	Sh'000	Sh'000
Unquoted investments at fair value through profit or loss:		
GROUP		
999,326(2018 – 999,326) shares of Sh 10 each in Kenya Tea Packers Limited	1,349	1,349
	=====	=====
COMPANY		
403,545(2018 – 403,545) shares of Sh 10 each in Kenya Tea Packers Limited	546	546
	=====	=====

20 BIOLOGICAL ASSETS

(a) Non – current assets

GROUP

Year ended 31 March 2019

	Timber trees	Fuel trees	Total
	Sh'000	Sh'000	Sh'000
Carrying amount at beginning of year	120,683	582,485	703,168
Net expenditure on biological assets	480	7,633	8,113
	212,163	590,118	711,281
(Losses)/ gains arising from changes in fair value attributable to physical changes	(7,219)	65,375	58,156
Disposals	(5,804)	(59,150)	(64,954)
Net fair value (losses)/ gains	(13,023)	6,225	(6,798)
Decrease due to own use	(200)	(4,598)	(4,798)
Carrying amount at end of year	107,183	592,501	699,684
	======	=======	=======

20 BIOLOGICAL ASSETS (Continued)

(a) Non – current assets (continued)

GROUP

Year ended 31 March 2018

	Timber trees Sh'000	Fuel trees Sh'000	Total Sh'000
Carrying amount at beginning of year	167,798	492,764	660,562
Net expenditure on biological assets	360	8,508	8,868
	168,158	501,272	669,430
(Losses)/ gains arising from changes in fair value attributable to physical changes	(15,501)	113,278	97,777
Disposals	(31,103)	(28,920)	(60,023)
Net fair value (losses)/gains	(46,604)	84,358	37,754
Decrease due to own use	(871)	(3,145)	(4,016)
Carrying amount at end of year	120,683	582,485	703,168

WILLIAMSON TEA KENYA PLC

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20 BIOLOGICAL ASSETS (Continued)

(a) Non – current assets (continued)

COMPANY

Year ended 31 March 2019

	Timber trees Sh'000	Fuel trees Sh'000	Total Sh'000
Carrying amount at beginning of year	63,612	285,350	348,962
Net expenditure on biological assets	-	92	92
	63,612	285,442	349,054
(Losses)/gains arising from changes in fair value attributable to physical changes	(162)	(37,840)	(38,002)
Disposals	(3,649)	(34,531)	(38,180)
Net fair value (losses)/ gains	(3,811)	(72,371)	(76,182)
Decrease due to own use	(94)	(1,260)	(1,354)
Carrying amount at end of year	59,707	211,811	271,518

Year ended 31 March 2018

	Timber trees Sh'000	Fuel trees Sh'000	Total Sh'000
Carrying amount at beginning of year	61,539	209,733	271,272
Net expenditure on biological assets	-	2,021	2,021
	61,539	211,754	273,293
Gains arising from changes in fair value attributable to physical changes	4,426	82,404	86,830
Disposals	(2,281)	(8,401)	(10,682)
Net fair value gains	2,145	74,003	76,148
Decrease due to own use	(72)	(407)	(479)
Carrying amount at end of year	63,612	285,350	348,962

20 BIOLOGICAL ASSETS (Continued)

(b) Current assets

	2019	2018
GROUP	Sh 000	Sh 000
Unharvested green leaf	21,523	44,646
	======	======
COMPANY		
Unharvested green leaf	15,250	19,759
	======	======

Biological assets are carried at fair value at the end of each reporting period. The fair value of biological assets is estimated using the market approach.
Significant assumptions made in determining the fair values of biological assets and unharvested green leaf are as set out below:

- Firewood and timber prices are expected to remain relatively constant.
- A discount rate of 13.0% (2018: 14.8%) per annum is applied to discount the expected net cash flows arising from the asset.
- The Group's and the Company's average harvest cycle is 15 days (2018: 15 days). There is sufficient actual data immediately following the reporting date to be able to reliably estimate the agricultural produce at the reporting date.
- The harvest cycle is short enough (15 days) not to require discounting.
- The green leaf price that the Group and the Company pays to its third party out-growers is a reasonable estimate of the price the Group and the Company expects to fetch for final product sold in the market (black tea) less processing and other incidental costs. Consequently, the out-grower rate has been used to fair value the un-harvested green leaf at the reporting date.
- The maturity period of firewood and timber trees is between 5 and 25 years depending on the species of the tree.

The following table presents Group's biological assets that are measured at fair value:

		Level 1	**Level 2**	**Level 3**	**As at 31 March**
Year ended 31 March 2019	**Valuation technique**	**Sh 000**	**Sh 000**	**Sh 000**	**Sh 000**
Timber and fuel trees	Market approach	-	-	699,684	699,684
Unharvested green leaf	Market approach	-	21,523	-	21,523
		-	21,523	699,684	721,207
		======	======	======	=======
Year ended 31 March 2018					
Timber and fuel trees	Market approach	-	-	703,168	703,168
Unharvested green leaf	Market approach	-	44,646	-	44,646
		-	44,646	703,168	747,814
		======	======	======	=======

20 BIOLOGICAL ASSETS (Continued)

The following table presents Company's biological assets that are measured at fair value:

Year ended 31 March 2019	Valuation technique	Level 1 Sh 000	Level 2 Sh 000	Level 3 Sh 000	As at 31 March Sh 000
Timber and fuel trees	Market approach	-	-	271,518	271,518
Unharvested green leaf	Market approach	-	15,250	-	15,250
		-	15,250	271,518	286,768
Year ended 31 March 2018					
Timber and fuel trees	Market approach	-	-	348,962	348,962
Unharvested green leaf	Market approach	-	19,759	-	19,759
		-	19,759	348,962	368,721

	GROUP 2019 Sh'000	GROUP 2018 Sh'000	COMPANY 2019 Sh'000	COMPANY 2018 Sh'000
21 INVENTORIES				
Tea stocks	624,085	452,191	216,181	200,630
Firewood	26,181	22,606	6,531	4,160
Stores	195,111	195,500	107,085	112,049
Less: provision for stock obsolescence	(62,343)	(66,053)	(46,350)	(49,759)
	783,034	604,244	283,447	267,080
22 TRADE AND OTHER RECEIVABLES				
Trade receivables	133,869	1,808,385	21,190	649,496
Provision for doubtful debts	(1,690)	(2,367)	-	-
Trade receivables - net	132,179	1,806,018	21,190	649,496
Staff debtors	92,501	130,689	63,521	106,917
VAT recoverable	104,707	135,260	29,157	29,842
Other receivables	37,052	21,479	28,085	17,235
	366,439	2,093,446	141,953	803,490

	GROUP		COMPANY	
	2019	2018	2019	2018
	Sh'000	Sh'000	Sh'000	Sh'000

23 BALANCES WITH RELATED COMPANIES

(a) DUE FROM ASSOCIATE COMPANY

Kapchorua Tea Company Limited	39,486	57,282	37,468	57,070

(b) DUE FROM SUBSIDIARY COMPANIES

COMPANY

	2019 Sh'000	2018 Sh'000
Kaimosi Tea Estates Limited	10,465	107,102
Tinderet Tea Estates (1989) Limited	1,030	21,780
Williamson Power Limited	5,726	1,487
	17,221	130,369

(c) DUE TO SUBSIDIARY COMPANY

COMPANY

Tea Properties Limited	19,938	20,621

(d) DUE FROM DIRECTOR - GROUP AND COMPANY

Loan and advances*	-	51,620

*The amounts due from directors are included in staff debtors (note 22)

(e) DUE TO ASSOCIATE COMPANY - GROUP

Kapchorua Tea Company Limited	3,761	6,075

(f) TERMS OF THE RELATED PARTY BALANCES

The above related party balances are interest free, unsecured and have no fixed repayment period.

p

24 SHORT TERM BANK DEPOSITS

	GROUP		COMPANY	
	2019	2018	2019	2018
	Sh'000	Sh'000	Sh'000	Sh'000
At amortised cost				
Maturing within 90 days				
Term deposits: NIC Bank Limited	853,248	391,375	732,809	374,603
Treasury bills	19,650	105,474	19,650	105,474
At 31 March	872,898	496,849	752,459	480,077

The effective interest rates on fixed deposits at 31 March 2019 were as shown below:

	2019	2018
Term deposits: NIC Bank Limited	8.5%	9.21%
Treasury bills	7.67%	8.02%

25 SHARE CAPITAL

	2019	2018
	Sh'000	Sh'000
Authorised:		
17,512,640 shares of Sh 5 each	87,563	87,563
Issued and fully paid:		
17,512,640 shares of Sh 5 each	87,563	87,563

26 NON – CONTROLLING INTERESTS

	2019 Sh'000	2018 Sh'000
At beginning of year	212,635	178,001
Share of (loss)/profit:		
- arising from operating activities	(8,665)	21,262
- arising from changes in fair value biological assets	715	(6,437)
	(7,950)	14,825
Share of other comprehensive income	-	19,809
Share of total comprehensive (loss)/ income	(7,950)	34,634
Dividend paid by Tinderet Tea Estates (1989) Limited	(7,087)	-
At 31 end of year	197,598	212,635
Represented by:		
Holding in Tinderet Tea Estates (1989) Limited	18.00%	18.00%

27 DEFERRED TAXATION

Deferred income taxes are calculated on all temporary differences under the liability method using the enacted tax rate of 30% (2018: 30%). The net deferred taxation liability is attributable to the following items:

	GROUP		COMPANY	
	2019 Sh'000	2018 Sh'000	2019 Sh'000	2018 Sh'000
Deferred tax liabilities:				
Accelerated capital allowances	545,342	588,905	244,367	307,141
Revaluation of investment properties	127,323	127,173	127,323	127,173
Revaluation surplus – property and equipment	323,791	381,287	140,212	120,900
Biological assets	216,361	224,344	86,030	110,616
Unrealised exchange gains	520	571	188	409
	1,213,337	1,322,280	598,120	666,239
Deferred taxation assets:				
Unrealised exchange losses	(3,670)	(9,852)	(3,494)	(13,904)
Service gratuity provision	(87,347)	(89,389)	(35,192)	(34,775)
Leave pay provision	(10,952)	(11,416)	(6,470)	(6,278)
Inventories general provision	(18,703)	(19,816)	(13,905)	(14,927)
Accruals and other provisions	(124,930)	(93,124)	(53,222)	(34,105)
Tax losses available for future relief	-	(1,308)	-	-
	(245,602)	(224,905)	(112,283)	(103,989)
Net deferred taxation liability	967,735	1,097,375	485,837	562,250

27 DEFERRED TAXATION (Continued)

The movement on the deferred taxation account is as follows:

	GROUP		COMPANY	
	2019	2018	2019	2018
	Sh'000	Sh'000	Sh'000	Sh'000
At beginning of year	1,097,375	1,001,994	562,250	522,854
(Credit)/charge to profit or loss (note 9a)				
-current year (credit)/charge	(83,858)	(16,842)	(66,122)	6,164
-Prior year over provision	(45,662)	(50,919)	(10,291)	(41,716)
Deferred taxation on revaluation (loss)/ gain dealt with through other comprehensive income	(120)	163,142	-	74,948
At end of year	967,735	1,097,375	485,837	562,250

The following amounts, determined after appropriate offsetting, are shown in the statement of financial position.

Deferred tax asset	(2,314)	(3,479)	-	-
Deferred tax liability	970,049	1,100,854	485,837	562,250
	967,735	1,097,375	485,837	562,250

28 SERVICE GRATUITY PROVISION

At beginning of year	297,969	310,440	115,918	115,099
Provision during the year	22,237	10,016	9,922	5,760
Payments in the year	(29,049)	(22,487)	(8,533)	(4,941)
At end of year	291,157	297,969	117,307	115,918

Service gratuity relates to amounts earned and paid to employees upon retirement or completion of service contracts.

29 BORROWINGS

a) Loans

	GROUP		COMPANY	
	2019	2018	2019	2018
	Sh'000	Sh'000	Sh'000	Sh'000
Asset finance loan	37,380	97,481	37,380	97,481

The borrowings are repayable as follows:

On demand and within one year	37,380	60,065	37,380	60,065
Between 1 to 5 years	-	37,416	-	37,416
	37,380	97,481	37,380	97,481

29 BORROWINGS (continued)

	GROUP		COMPANY	
	2019	2018	2019	2018
	Sh'000	Sh'000	Sh'000	Sh'000
b) Analysis of changes in asset finance loan				
At beginning of year	97,481	156,432	97,481	156,432
Repayments in the year	(60,138)	(56,845)	(60,138)	(56,845)
Exchange gain on revaluation	37	(2,106)	37	(2,106)
At end of year	37,380	97,481	37,380	97,481

c) Interest rates

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

	2019	2018
Asset finance Loan- US$	7.5%	7.5%

d) 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 debentures between Kaimosi Tea Estates Limited and Williamson Tea Kenya Plc 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. Fixed and Floating debenture in the bank's standard form covering the assets of Kaimosi tea Estates ltd, Williamson Tea Kenya Ltd and Tea Properties Ltd registered and stamped to cover Sh 318,876,140.
4. Charge over Property Title No. 1989 Kaimosi, 1896 Kaimosi, 1895 Kaimosi, 1894 Kaimosi, 1899 Kaimosi and 1892 Kaimosi in the name of Kaimosi Tea Estates Ltd registered and stamped to cover Sh 318,676,140.

COMPANY

1. Joint and several debentures between Kaimosi Tea Estates Limited and Williamson Tea Kenya Plc 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. Fixed and Floating debenture in the bank's standard form covering the assets of Kaimosi tea Estates ltd, Williamson Tea Kenya Ltd and Tea Properties Ltd registered and stamped to cover Sh 318,876,140.
4. Charge over Property Title No. 1989 Kaimosi, 1896 Kaimosi, 1895 Kaimosi, 1894 Kaimosi, 1899 Kaimosi and 1892 Kaimosi in the name of Kaimosi Tea Estates Ltd registered and stamped to cover Sh 318,676,140.

e) Undrawn facilities

The Group had undrawn committed borrowing facilities with various bankers amounting to Sh 430,543,000 (2018 – Sh 320,278,000). The borrowing facilities consist of loans, bank overdrafts, letters of credit and guarantees.

30 TRADE AND OTHER PAYABLES

	GROUP 2019 Sh'000	GROUP 2018 Sh'000	COMPANY 2019 Sh'000	COMPANY 2018 Sh'000
Trade payables	98,561	105,525	44,972	39,759
Leave provision	38,273	38,048	21,566	20,925
Accruals	252,181	86,058	97,466	89,159
Outgrowers payables	78,911	198,174	13,291	141,253
Other payables	139,586	538,376	80,873	63,277
	607,512	966,181	258,168	354,373

31 DIVIDENDS PAYABLE

GROUP & COMPANY

	2019 Sh'000	2018 Sh'000
At beginning of the year	35,101	33,003
Declared in the year		
- Final	350,253	175,126
Dividends paid*	(338,356)	(173,028)
At end of year	46,998	35,101

* An amount of Sh 1,865,780 (2018: 2,170,952) was remitted to unclaimed assets authority during the year.

	GROUP 2019 Sh'000	GROUP 2018 Sh'000	COMPANY 2019 Sh'000	COMPANY 2018 Sh'000
32 NOTES TO THE CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS				
(a) Reconciliation of (loss)/ profit before taxation to cash generated from operations				
(Loss)/ profit before taxation	(212,415)	810,056	(52,107)	466,843
Adjustments for:				
Depreciation (note 13)	481,017	315,636	212,932	140,005
Amortisation of prepaid operating leases (note 15)	4,004	83	997	12
Amortisation of intangible assets (note 14)	1,354	2,010	815	921
Impairment of intangible assets (note 14)	628	-	628	-
Loss on disposal of plant and equipment	44,200	34,144	11,257	12,168
Share of results of associate company	49,713	(65,829)	-	-
Dividends received from other investments	-	(425)	-	(288)
Dividends received from subsidiaries	-	-	(82,279)	(9,286)
Losses (gains) arising from changes in fair value less estimated point-sale costs of biological assets (note 20)	6,798	(37,754)	76,182	(76,148)
Decrease in the fair value of biological assets due to own use (note 20)	4,798	4,016	1,354	479
Fair value movement in biological assets – unharvested green leaf	23,123	(13,338)	4,509	(5,485)
Fair value gain on investment properties	(500)	-	(500)	-
Exchange differences on asset finance loans (note 29(b))	37	(2,106)	37	(2,106)
Interest expense (note 6)	5,375	11,647	5,369	10,059
Interest income (note 6)	(67,441)	(52,781)	(57,766)	(51,111)
	340,691	1,005,359	121,428	486,063
Working capital changes:				
Increase in inventories	(178,790)	(114,638)	(16,367)	(70,767)
Decrease/(increase) in trade and other receivables	1,727,007	(725,823)	661,537	(262,050)
(Decrease)/increase in trade and other payables	(358,669)	201,047	(96,205)	63,607
Net movement in related party balances	15,482	(45,479)	132,067	(15,288)
(Decrease)/increase in service gratuity provision	(6,812)	(12,471)	1,389	819
Cash generated from operations	1,538,909	307,995	803,849	202,384
(b) Analysis of cash and cash equivalents				
Cash balances	2,811	304	304	192
Bank balances	434,834	360,365	135,285	208,135
Short term deposits (note 24)	872,898	496,849	752,459	480,077
At 31 March	1,310,543	857,518	888,048	688,404

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

33 RELATED PARTY TRANSACTIONS

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

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

	2019 Sh'000	2018 Sh'000
Royalties and licences (George Williamson & Co Limited – parent)	78,800	87,920
Agency commission and charges received (Kapchorua Tea Company Limited – associate)	54,945	56,739

Compensation of Directors and key management personnel

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

Directors' emoluments

	2019 Sh'000	2018 Sh'000
Fees and allowances for services as directors	11,038	9,668

Key management compensation

	2019 Sh'000	2018 Sh'000
Salaries and other short term benefits	213,221	140,759

The remuneration for Directors and key management is determined by the Board members having regard to the performance of individuals and market trends.

34 CAPITAL COMMITMENTS

	GROUP		COMPANY	
	2019 Sh'000	2018 Sh'000	2019 Sh'000	2018 Sh'000
Authorized but not contracted for	170,657	277,637	85,427	94,261
Authorized and contracted for	103,817	18,226	21,516	2,415
	274,474	295,863	106,943	96,676

Capital commitments include purchase of various machines for production purposes. The Group intends to finance these commitments from internally generated funds, asset financing from the banks and loans from overseas Shareholders.

35 OPERATING LEASE COMMITMENTS

The Group as a lessee

Property rental expense incurred during the year amounted to Sh 7,020,901 (2018 – Sh 6,586,947). At the end of the reporting period the Group had outstanding commitments under operating leases which fall due as follows:

	2019 Sh'000	2018 Sh'000
Within one year	2,500	2,379

The Group as a lessor

Property rental income earned during the year amounted to Sh 996,000 (2018 – Sh 1,750,000). At the end of the reporting period, the Group had contracted with tenants for the following future lease receivables.

	2019 Sh'000	2018 Sh'000
Within one year	6,734	5,986
In the second to fifth years inclusive	25,479	-
	32,213	5,986

Leases are negotiated for an average term of six years for both residential properties and non-residential properties, and rentals are reviewed annually. The leases are cancellable with no penalty when the tenants give three months' notice to vacate the premises.

36 CONTINGENT LIABILITIES

The Group and the Company are exposed to various contingent liabilities in the normal course of business. The Directors evaluate the status of these exposures on a regular basis based on advice from Group and the Company's legal advisors to assess the probability of the company incurring related liabilities. However, provisions are only made in the consolidated and company financial statements where, based on the Directors' evaluation, a present obligation has been established. As at 31 March 2019, there were no material contingent liabilities (2018: Nil).

The Group has bank guarantees amounting to Sh.41,388,716 (Company: Sh. 9,738,716), issued on its behalf in the normal course of business from which it is anticipated that no material liabilities will arise.

37 CAPITAL MANAGEMENT

The Group and the Company 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 and the Company consist of debt, which includes the borrowings disclosed in Note 29, cash and cash equivalents and equity attributable to equity holders, comprising issued capital, revaluation reserve and retained earnings.

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

37 CAPITAL MANAGEMENT (Continued)

	GROUP	
	2019	2018
	Sh'000	Sh'000
Share capital	87,563	87,563
Retained earnings	5,001,707	5,461,624
Revaluation surplus	1,030,507	1,085,535
Equity	6,119,777	6,634,722
Total borrowings	37,380	97,481
Less: cash and cash equivalents	(1,310,543)	(857,518)
Net debt	(1,273,163)	(760,037)
Gearing	Nil	Nil

38 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 as appropriate. The Board guidance on the overall risk management, as well as director's 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 and
- 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 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.

38 FINANCIAL RISK MANAGEMENT (continued)

Financial risks arising from use of financial instruments (continued)

Credit risk (continued)

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising expected credit losses
Performing	The counterparty has a low risk of default and does not have any past-due amounts	12 – month ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition	Lifetime ECL – not credit impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired
Write off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

The tables below detail the credit quality of the Group's financial assets, as well as the Group's maximum exposure to credit risk by credit risk rating grades:

31 March 2019

	Note	Internal/ external rating	12 months or lifetime ECL	Gross carrying amount Sh'000	Loss allowance Sh'000	Net amount Sh'000
Trade and other receivables	22	Performing	Lifetime ECL (simplified approach)	170,921	(1,690)	169,231
Staff receivables	22	Performing	Lifetime ECL (simplified approach)	92,501	-	92,501
Due from associate company	23 (a)	Performing	Lifetime ECL (simplified approach)	39,486	-	39,486
Bank balance	32 (b)	BB	12 months ECL	434,834	-	434,834
Short term deposits	24	BB	12 months ECL	872,898	-	872,898
				1,610,640	(1,690)	1,608,950

31 March 2018

	Note	Internal/ external rating	Incurred loss model (IAS 39)	Gross carrying amount Sh'000	Loss allowance Sh'000	Net amount Sh'000
Trade and other receivables	22	Performing	Incurred loss model	1,829,864	(2,367)	1,827,497
Staff receivables	22	Performing	Incurred loss model	130,689	-	130,689
Due from associate company	23 (a)	Performing	Incurred loss model	57,282	-	57,282
Bank balances	32 (b)	NA	Incurred loss model	360,365	-	360,365
Short term deposits	24	NA	Incurred loss model	469,849	-	469,849
				2,848,049	(2,367)	2,845,682

38 FINANCIAL RISK MANAGEMENT (continued)

Financial risks arising from use of financial instruments (continued)

Credit risk (continued)

Bank Balances

Bank balances and bank deposits are not restricted and include deposits held with banks that have high credit ratings. Bank balances and bank deposits are thus considered investment grade.

Trade receivables

For trade receivables, the company has applied the simplified approach in the IFRS 9 to measure the loss allowance. All receivables are within 90 days from the end of the reporting period and thus no need for impairment.

The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The company has identified the Gross Domestic Product as the most relevant macroeconomic factor to impact its customers, and accordingly adjusts the historical loss rates based on expected changes in these factors. On that basis, the loss allowance as at 31 March 2019 (on adoption of IFRS 9) was determined as follows for trade receivables:

	Trade and other receivables – days past due						
2019	**Not Due**	**< 30**	**31 – 60**	**61 - 90**	**91 - 120**	**> 120**	**Total**
Gross carrying amount -Trade receivables (Sh)	101,060	20,477	1,636	13,909	592	2,785	133,869
Gross carrying amount –Other receivables (Sh)	19,222	-	-	-	-	110,331	129,553
Expected credit Loss allowance (Sh)	-	-	-	-	-	(1,690)	(1,690)
Net amount	120,282	20,477	1,636	13,909	592	117,067	273,963

	Trade and other receivables – days past due						
2018	**Not Due**	**< 30**	**31 – 60**	**61 - 90**	**91 - 120**	**> 120**	**Total**
Gross carrying amount -Trade receivables (Sh)	738,881	409,560	253,404	413,919	999	2,178	1,808,385
Gross carrying amount –Other receivables (Sh)	9,219	-	-	-	-	142,949	152,168
Expected credit Loss allowance (Sh)	-	-	-	-	-	(2,367)	(2,367)
Net amount	748,099	409,560	253,404	413,919	999	136,859	1,962,841

38 FINANCIAL RISK MANAGEMENT (continued)

Financial risks arising from use of financial instruments (continued)

Credit risk (continued)

Staff receivables

The company has applied the simplified approach in the IFRS 9 to measure the loss allowance for staff receivables. The company has put in place measures to ensure all amounts due from members of staff are recovered over a maximum of 6 years or upon separation, whichever comes earlier. Motor Vehicle purchased is co-owned with the company and the therefore forms collateral for the loan. The value of other loans granted is capped at 75% of pension saved with the staff provident fund, and therefore the savings form collateral for the loan(s). On this basis, therefore, the company has not provided for impairment losses.

Expected credit loss as at 31 March 2018

The transition provisions of IFRS 9 allow an entity not to restate comparatives. The company has elected not to restate comparatives in respect of the consequential amendments to IFRS 7 Financial Instruments: Disclosures. Accordingly, these amendments were applied to the disclosures for 2018 only and not to the comparative period.

Credit risk – Increase/decrease of ECL rate by 10%.

If the ECL rates on trade receivables had been 10% higher (lower) as of 31 March 2019, the loss allowance on trade receivables would have been Sh 169,000 higher (lower).

The credit risk on liquid funds with financial institutions is also low, because the counter parties are banks with high credit-ratings and are fully performing.

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 company'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 on a net basis into relevant maturity groupings based on the remaining period at the end of the financial statement position date 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 1month Sh'000	2-3 months Sh'000	4-12 months Sh'000	2-5 years Sh'000	Over 5 years Sh'000	Total Sh'000
Financial liabilities						
At 31 March 2019						
Trade payables	98,561	-	-	-	-	98,561
Borrowings	5,340	10,680	21,360	-	-	37,380
Due to associate company	3,761	-	-	-	-	3,761
	107,662	10,680	21,360	-	-	139,702

38 FINANCIAL RISK MANAGEMENT (continued)

Financial risks arising from use of financial instruments (continued)

Liquidity risk (continued)

	Up to 1month Sh'000	2-3 months Sh'000	4-12 months Sh'000	2-5 years Sh'000	Over 5 years Sh'000	Total Sh'000
At 31 March 2018						
Trade payables	105,525	-	-	-	-	105,525
Borrowings	-	-	60,065	37,416	-	97,481
Due to associate company	6,075	-	-	-	-	6,075
	111,600	-	60,065	37,416	-	209,081

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
2019			
Financial assets			
Bank and cash balances	121,307	73,726	6,645
Trade receivables	83,147	40,086	-
Financial liabilities			
Trade payables	(37,766)	(15,361)	-
Borrowings	(37,380)	-	-
Net assets	129,308	98,451	6,645
2018			
Financial assets			
Bank and cash balances	95,626	148,951	10,736
Trade receivables	1,360,139	420,520	15,708
Financial liabilities			
Trade payables	(15,525)	-	-
Borrowings	(97,481)	-	-
Net assets	1,342,759	569,471	26,444

38 FINANCIAL RISK MANAGEMENT (Continued)

Market risk (Continued)

(i) Foreign exchange risk (Continued)

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

1% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

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.

	2019 Sh'000		2018 Sh'000	
	Effect on profit	**Effect on equity**	**Effect on profit**	**Effect on equity**
Currency - GB pounds				
+ 1 percentage point movement	1,293	905	810	567
- 1 percentage point movement	(1,293)	(905)	(810)	(567)
Currency - US dollars				
+ 1 percentage point movement	985	689	1,452	1,016
- 1 percentage point movement	(985)	(689)	(1,452)	(1,016)
Currency - Euro				
+ 1 percentage point movement	66	47	33	23
- 1 percentage point movement	(66)	(47)	(33)	(23)

(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 assumed movement in interest rate sensitivity analysis is based on the currently observable market environment. 1% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

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.

	2019 Sh'000		2018 Sh'000	
	Effect on profit	**Effect on equity**	**Effect on profit**	**Effect on equity**
+ 1 percentage point movement	621	434	411	288
- 1 percentage point movement	(621)	(434)	(411)	(288)

38 FINANCIAL RISK MANAGEMENT (Continued)

Financial risks arising from involvement in agricultural activity

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

39. FAIR VALUE OF ASSETS AND LIABILITIES

a) Fair value hierarchy

The table below shows an analysis of all assets and liabilities measured at fair value in the financial statements or for which fair values are disclosed in the financial statements by level of the fair value hierarchy. These are grouped into levels 1 to 3 based on the degree to which the fair value is observable.

i) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
ii) Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as a price) or indirectly (i.e. derived from prices); and
iii) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs)

GROUP	Level 1 Sh'000	Level 2 Sh'000	Level 3 Sh'000
31 March 2019			
Assets			
Property, plant and equipment			
-Buildings	-	-	1,158,882
-Machinery and equipment	-	-	869,068
Biological assets			
-timber and fuel trees	-	699,684	-
-Un-harvested green leaf	-	21,523	-
	========	========	========
31 March 2018			
Assets			
Property, plant and equipment			
-Buildings	-	-	1,369,512
-Machinery and equipment	-	-	895,884
Biological assets			
-timber and fuel trees	-	703,168	-
-Un-harvested green leaf	-	44,646	-
	========	========	========

39. FAIR VALUE OF ASSETS AND LIABILITIES(Continued)

COMPANY	Level 1 Sh'000	Level 2 Sh'000	Level 3 Sh'000
31 March 2019			
Assets			
Property, plant and equipment			
-Buildings	-	-	786,439
-Machinery and equipment	-	-	412,024
Biological assets			
-timber and fuel trees	-	271,518	-
-Un-harvested green leaf	-	15,250	-
	========	========	========
31 March 2018			
Assets			
Property, plant and equipment			
- Buildings	-	-	883,177
- Machinery and equipment	-	-	428,997
Biological assets			
- timber and fuel trees	-	348,962	-
- Un-harvested green leaf	-	19,759	-
	========	========	========

40 SUBSEQUENT EVENTS

No material events or circumstances have arisen between the reporting date and the date of this report.

41 COUNTRY OF INCORPORATION

All the companies in the Group are incorporated and domiciled in Kenya under the Kenyan Companies Act, 2015.

42 ULTIMATE HOLDING COMPANY

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

43 CURRENCY

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