

KAPCHORUA TEA KENYA PLC

**ANNUAL REPORTS
AND
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED
31 MARCH 2022**

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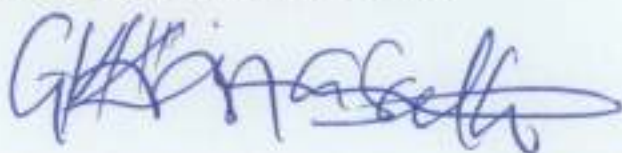
NOTICE IS HEREBY GIVEN that the 80th Annual General Meeting of the Shareholders will be held by electronic communication on Thursday 4 August 2022 at 10.00 a.m. for the following purpose:

Ordinary Business:

- 1) To receive and adopt the report of the Directors together with the audited financial statements for the year ended 31 March 2022.
- 2) To approve dividend of Shs 10 per share in respect of the year ended 31 March 2022 payable on 19 August 2022, to shareholders on the Register of Members as at close of business on 29 July 2022.
- 3) To re-elect Directors:
 - i) In accordance with Article 95 of the Company's Articles of Association, Mr. Philip Magor retires by rotation and offers himself for re-election.
 - ii) In accordance with Article 95 of the Company's Articles of Association, Mr. James Patrick Brooks retires by rotation and offers himself for re-election.
- 4) In accordance with the provisions of Section 769 of the Companies Act 2015, the following directors being members of the Board Audit Committee, be appointed individually to continue to serve as members of the said committee:
 - i) Mr. Mathew Koech
 - ii) Mr. James Patrick Brooks
 - iii) Mr. Edward Charles Magor
- 5) To approve the remuneration of the Directors.
- 6) Appointment of Auditors

To ratify appointment PricewaterhouseCoopers LLP as the new Auditors of the Company having replaced Deloitte & Touche.
- 7) To transact such other business as may be brought before the meeting.

BY ORDER OF THE BOARD



Gilbert K Masaki
SECRETARY

30th June 2022

**PROXY FORM FOR KAPCHORUA TEA KENYA PLC ANNUAL
GENERAL MEETING**

Please complete in BLOCK CAPITALS

Full name of
member(s):

Address:

CDSC No (if known)

(This can be found on your CDSC Statement)

Mobile

Number

Date:

Signature:

Please tick **ONE** of the boxes below and return to Image Registrars at P.O. Box 9287-00100 Nairobi, 5th floor, Absa Towers (formerly Barclays Plaza), Loita Street:

Approval of Registration

I/WE approve to register to participate in the virtual Annual General Meeting to be held on 4th August 2022.

Consent for use of the Mobile Number provided

I/WE would give my/our consent for the use of the mobile number provided for purposes of voting at the AGM.

* NOTE: Unless otherwise directed, a Proxy holder will vote as he thinks fit and in respect of the member's total holding.

UNIVERSITY OF CALIFORNIA, BERKELEY
DEPARTMENT OF CHEMISTRY

REPORT OF THE
COMMISSIONERS OF THE
LAND OFFICE
IN RESPONSE TO
RESOLUTION NO. 10
PASSED BY THE BOARD OF SUPERVISORS
ON MARCH 15, 1967

THE LAND OFFICE HAS THE HONOR TO ACKNOWLEDGE THE RECEIPT OF YOUR REPORT DATED MARCH 15, 1967, AND TO ADVISE YOU THAT THE BOARD OF SUPERVISORS HAS REVIEWED THE SAME AND HAS PASSED RESOLUTION NO. 10 ON MARCH 15, 1967, AS REFERRED TO IN YOUR REPORT.

YOUR REPORT IS BEING FORWARDED TO THE BOARD OF SUPERVISORS FOR THEIR INFORMATION AND TO THE BOARD OF COUNTY ADMINISTRATORS FOR THEIR INFORMATION AND ACTION.

Yours faithfully,
[Signature]

Notes:

1. Shareholders wishing to participate in the meeting should register for the AGM by doing the following:
 - a) Dialling *483*902# for all networks and follow the various prompts regarding the registration process; or
 - b) Sending an email request to be registered to kapchoruaagm@image.co.ke; or
 - c) Shareholders with email addresses will receive a registration link via email through which they can use to register.

In order to complete the registration process, shareholders will need to have their ID/Passport Numbers which were used to purchase their shares and/or their CDSC Account Number at hand. For assistance shareholders (whether in Kenya or outside) should dial the following helpline number: (+254) 709 170 000 from 8:00 a.m. to 5:00 p.m. from Monday to Friday. A Shareholder domiciled outside of Kenya can send an email to Image Registrars via kapchoruaagm@image.co.ke.

2. Registration for the AGM opens on Wednesday 13th July, 2022 at 9:00 am and will close on Tuesday 02nd August 2022 at 10:00 am.
3. Shareholders wishing to raise any questions or clarifications regarding the AGM may do so by:
 - a) sending their written questions by email to kapchoruaagm@image.co.ke;
 - b) shareholders who will have registered to participate in the meeting shall be able to ask questions via sms by dialing the USSD code above and selecting the option (ask Question) on the prompts
 - c) to the extent possible, physically delivering their written questions with a return physical address or email address to Image Registrars offices at 5th floor, Absa Towers (formerly Barclays Plaza), Loita Street; or
 - d) sending their written questions with a return physical address or email address by registered post to Image Registrars' address at P.O. Box 9287 - 00100 Nairobi.

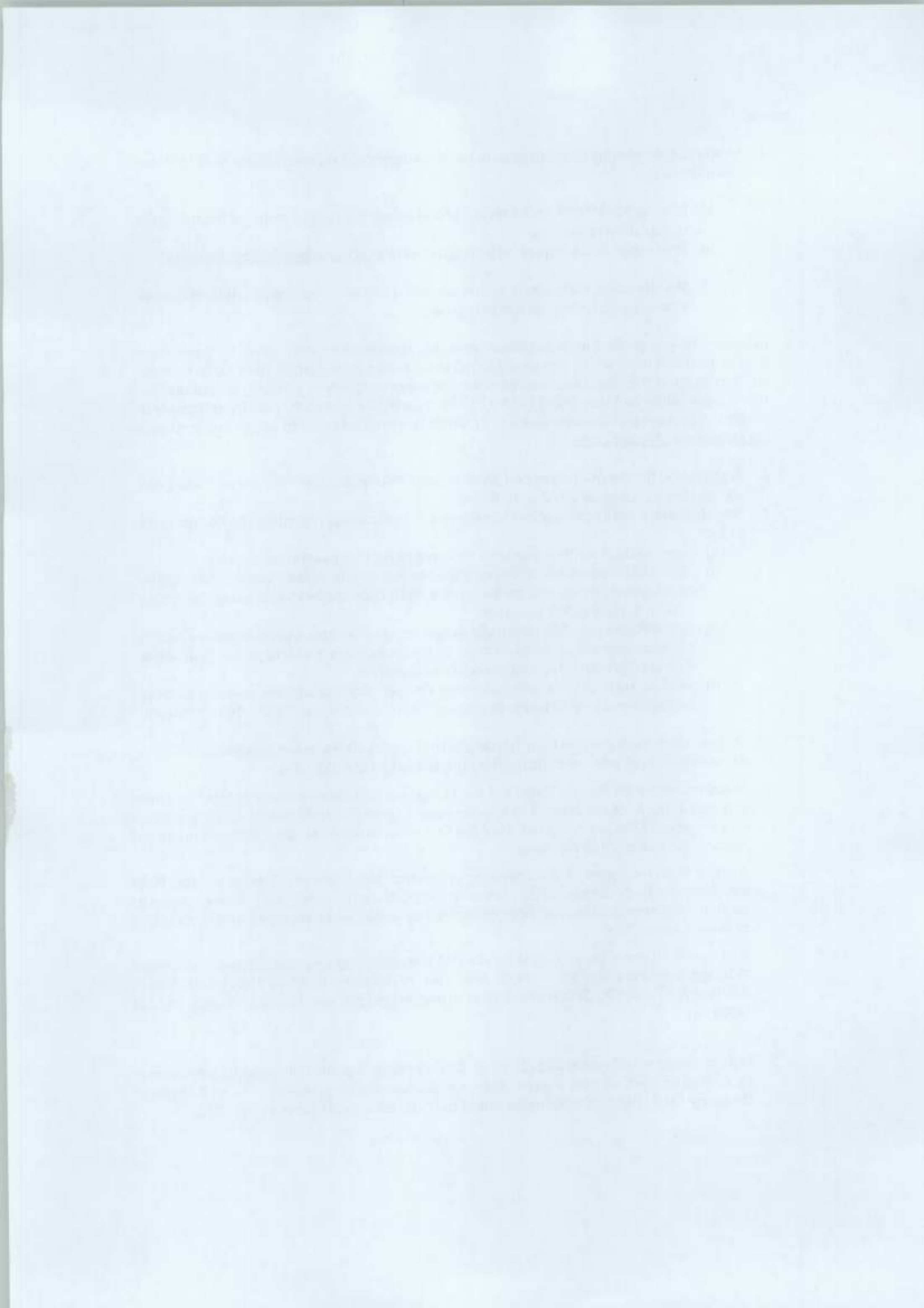
Shareholders must provide their full details (full names, ID/Passport Number/CDSC Account Number) when submitting their questions and clarifications.

4. In accordance with Section 298(1) of the Companies Act, Shareholders entitled to attend and vote at the AGM are entitled to appoint a proxy to vote on their behalf. A proxy need not be a member of the Company but if not the Chairman of the AGM, the appointed proxy will need access to a mobile telephone.

A proxy must be signed by the appointor or his attorney duly authorized in writing. If the appointer is a body corporate, the instrument appointing the proxy shall be given under its common seal or under the hand of an officer or duly authorized attorney of such corporation or Government office.

A completed form of proxy should be emailed to kapchoruaagm@image.co.ke or delivered to Image Registrars Limited, 5th Floor Absa Towers (formerly Barclays Plaza), Loita Street, P.O. Box 9287 - 00100 GPO, Nairobi, so as to be received not later than 02nd August 2022 at 10.00 am.

5. In accordance with Section 283 (2) (c) of the Companies Act, the following documents may be viewed on the Company's website www.williamsontea.com (i) a copy of this Notice and the proxy form; (ii) the Company's audited financial statements for the year 2022.



The reports may also be accessed upon request by dialling the USSD code above and selecting the Reports option. The reports and agenda can also be accessed on the livestream link.

6. The AGM will be streamed live via a link which shall be provided to all shareholders who will have registered to participate in the general meeting.
7. Duly registered shareholders and proxies may follow the proceedings of the AGM using the live stream platform and may access the agenda. Duly registered shareholders and proxies may vote (when prompted by the chairman) via the USSD prompts.
8. Results of the poll shall be published on the Company's website within 24 hours following conclusion of the Annual General Meeting.



DIRECTORS	E N K Wanjama A L Carmichael S N Thumbi J P Brooks M Koech P Magor E C Magor	- Chairman - Managing Director - Farm Director
GOVERNANCE & AUDIT COMMITTEE	M Koech J P Brooks E C Magor	- Chairman
BOARD NOMINATING COMMITTEE	E N K Wanjama A.L Carmichael P Magor	- Chairman - Managing Director - Non executive Director
STAFF & REMUNERATION COMMITTEE	E N K Wanjama A.L Carmichael P Magor	- Chairman - Managing Director - Non executive Director
COMPANY SECRETARY/REGISTRAR	Gilbert K Masaki Certified Public Secretary (Kenya) P. O. Box 42281 - 00100 Nairobi	
REGISTERED OFFICE	Karen Office Park The Acacia Block, 2nd Floor Langata Road P.O. Box 42281 - 00100 Nairobi	
PRINCIPAL PLACE OF BUSINESS	Kapchorua Kapchorua Road P. O. Box 12 - 30301 Nandi	
AUDITORS	PricewaterhouseCoopers LLP PwC Tower, Waiyaki Way/Chiromo Road, Westlands P.O Box 43963-00100 Nairobi, Kenya	
PRINCIPAL BANKERS	ABSA Bank Kenya Plc Absa Plaza Business Centre P. O. Box 46661 - 00100 Nairobi ABSA Bank Kenya Plc Eldoret Branch P. O. Box 22 - 030030 Eldoret	

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

Kapchorua Tea Kenya Plc
Financial Highlights
For the year ended 31 March 2022

		2022	2021	2020	2019	2018
Tea production						
Area under tea	Hectares	638	638	619	623	627
Made tea - own	'000 kgs	1,694	1,932	1,819	2,070	2,095
- bought leaf	'000 kgs	4,128	4,814	4,087	3,730	3,654
Total	'000 kgs	5,822	6,746	5,906	5,800	5,749
Tea sold	'000 kgs	5,888	7,078	5,437	5,787	5,615
Average sales price per kg (gross)	Shs	240.39	206.24	208.60	237.91	254.56
Revenue - tea sales (Shs'000)		1,415,471	1,445,640	1,134,302	1,376,832	1,429,341
Profit/(loss) (Sh'000)						
Profit/(loss) before taxation		303,013	34,114	11,324	(151,676)	257,238
Income tax (charge)/credit		(88,997)	(27,049)	8,113	26,011	(90,833)
Profit/(loss) for the year		214,016	7,065	19,437	(125,665)	166,405
Capital employed (Shs'000)						
Assets (Shs'000)						
Property, plant and equipment		948,574	991,564	829,983	919,374	1,024,462
Right of use assets-Leaschold Land		19,362	19,794	19,821	-	-
Prepaid operating Lease		-	-	-	19,845	21,573
Intangible assets		292	42	139	501	808
Biological assets		258,274	197,962	215,614	220,347	344,851
Unquoted Investments		14,203	717	717	717	717
Current assets		908,375	871,626	875,728	872,389	1,096,632
Total assets		2,149,080	2,081,705	1,942,002	2,033,173	2,489,043
Liabilities (Shs'000)						
Provision for employee benefits		95,646	140,767	132,525	130,845	131,408
Deferred income tax		278,885	268,738	201,638	241,285	310,417
Current liabilities		150,825	185,939	180,948	193,329	375,599
Total liabilities		525,536	595,444	515,111	565,459	817,424
Net assets		1,623,724	1,486,261	1,426,891	1,467,714	1,671,619
Financed by (Shs'000)						
Share capital		39,120	39,120	39,120	39,120	39,120
Revaluation Surplus		403,038	374,936	255,729	251,758	281,830
Retained Earnings		1,181,566	1,072,205	1,132,042	1,176,836	1,350,669
Shareholders' funds		1,623,724	1,486,261	1,426,891	1,467,714	1,671,619

Kapchorua Tea Kenya Plc
 Financial Highlights
 For the year ended 31 March 2022

EARNINGS/(LOSS)		2022	2021	2020	2019	2018
PER SHARE	Shs	27.35	0.90	2.48	(16.06)	21.27
PROPOSED DIVIDENDS PER SHARE (par value)	%	200	200	200	200	200
PROPOSED DIVIDENDS PER SHARE	Shs	10	10	10	10	10
PROPOSED DIVIDEND COVER	Times	0.09	0.09	0.25	(1.61)	2.13
Closing exchange rates	US \$	109.51	109.51	104.69	100.75	100.85
	UK £	150.69	150.69	129.87	131.85	142.31

RESULTS

The company reported a profit for the year of Shs 214 million in 2022 compared to a profit for the year of Shs 7 million reported in 2021.

Please refer to page 26 of the financial statements for a detailed statement of profit or loss and other comprehensive income.

High crops and very difficult trade conditions notwithstanding, the income statement highlights the division between operational profit and gains from property revaluations as part of statutory accounting regulations.

Crops

The crop figures for the year are given on page 5.

The crop figures show lower crops but are following a year of exceptional crops so not entirely surprising.

Critical to the crop analysis was a decision in the previous year to strictly monitor the plucking rounds, which has a marginal effect on productivity plus a restriction on bought leaf at peak cropping times so as not to overload the factory and compromise on quality. More explanations on quality management will appear in different subheadings of this statement.

Overall, the truisms of rain fed agriculture remain, crop will come with rain and generally this has been true for the year. A marginal decline in rainfall, but with similar distribution led to decent results but a drier end to the year than the previous year, the nuances associated with a pruning cycle, 4 years in our business and the very competitive nature of purchasing green leaf during drier months all contributed to the decrease in crop.

Our introduction of a propelled tea harvester has proved a wise investment with the machine providing extremely good quality green leaf, as long as the relevant section is harvested on time. Long leaf in the field will be long leaf plucked and arrives in the factory to make sub-standard teas. Supervision and logistical planning remain a key task for management in the field.

Smallholder Farmers

Smallholders remain a very critical part of our business and indeed a critical part of Western Kenya's economy. Why so?

The UN Food and Agriculture Organization (FAO) define 3 critical aspects in combating agricultural poverty. (1) alleviating low productivity, (2) drudgery of work and (3) stopping the departure of rural youth to urban environments, the 3 aspects are:

- Sufficient levels of income
- Market opportunities
- Sound cash crop

It is impossible for a farm to provide direct additional employment, yet high levels of unemployment are recognized to be socially damaging and breed instability for a region.

So, what can Kapchorua provide to Nandi and to the continued employment and self-employment of the region? Let us return to the 3 FAO principles.

The sufficient levels of income have been provided by a sound cash crop. The market opportunities provided by Kapchorua purchasing smallholder leaf for the factory have ensured a sound return to the farmer for their cash crop. Kapchorua provides the knowledge, skills and finance to pay for the leaf and exploit market opportunities.

Cost of Production

Years of experience tells us we can only control our costs, not the price of tea, the market being dominated by the law of supply and demand.

The control of costs means being efficient with sufficient volumes of green leaf being processed in a factory operating at optimum limits. The harvesting by a harvester is an example of cost control. It is one of the most critical aspects of our business.

What can't we control?

We have navigated our way through a global pandemic, this is clearly not over but most of the world realizes we have to live with it and manage. We managed and are indeed grateful to the MOH for their clarity of thought and instruction and to all our staff for their (continued) attention to detail and implementation of sanitary protocols.

Then at the end of the year Russia invaded Ukraine. So, what some may ask?

Our supply of fertilizer has doubled in cost indeed the supply is threatened. Oil based energy prices are rising all the time. Food supplies are under threat, Ukraine exports 10% of the world's grain and is the breadbasket for the Western world and beyond. Trade has diminished, shipping routes disrupted, Russia no longer buys tea from Mombasa. The old presumption of globalization and world trade is under threat with economies shrinking, inflation rising and imports under threat. We wait to see who will emerge as being resilient to this threat.

These are massive challenges to a business taking place beyond our borders yet having direct consequences to our success and survival.

And yet the risks to our business also exist closer home.

Local Political rhetoric tends to ramp up populist emotions which are heightened further when elections are round the corner. Insurance costs increase and management time is distracted. I remind you every year, that since August 27th 2010 our freehold titles and 999 year leases were removed and are still to be replaced by the long promised 99 year leases. Yes, land is a sensitive issue all over the world however our track record and contribution to the national revenue, the very visible and successful results of our economic efforts and investment significantly assisting Western Kenya prosperity demand to be heard and taken seriously. The leases should be delivered.

Power is a problem. KPLC supply is erratic, a factory cannot function without reliable delivery of power.

These are old domestic risks mentioned every year and we have survived them before. But there is a new risk that has emerged from an unexpected quarter. The Kenyan tea industry is well-regulated with multiple governance controls operating within the laws of a sovereign country.

And yet there are increasingly and often so it would seem, self-serving third-party audit organizations, specifically Rainforest Alliance wishing to benefit from our efforts by adding layers of bureaucracy and cost to our business.

These audits have been around for years and exist because some buyers demand them. We voluntarily agree to undertake the audit as some of our customers' desire third party verification of good practices, no problem - until the narrative and the costs shift.

The narrative shift is often subtle and will always take the form of a towering, good intention without any recognition of cost, consequence, or commercial impact. The Rainforest Alliance "Living Wage" has taken a life of its own, a crusade to further the influence of unaccountable third parties. The proposed process interferes with Government economists who have set and gazetted regional wages that are then subjected to collective bargaining agreements on a bi-annual basis.

The audit target can only be businesses that have existing good governance and best practice within a well-regulated package already supporting thousands of individuals directly and indirectly. Otherwise, the platform is too shaky, too uncertain and will collapse immediately.

The proposal deceit lies in audit charges beyond the means of businesses - an 80% increase in audit fee whilst transitioning and simultaneously taking credit should implementation follow. Be under no illusion, this is a threat to the cost of doing business from a non-commercial organization wishing to further their own trade and influence whilst stepping way beyond the remit of evaluating good practice.

An audit by definition is not contributing to those decisions merely taking a third-party view of actions already carried out. Any attempts to extend beyond this generalized remit is interference.

Markets

As explained in some detail in my report last year the Tea Act 2020 continues to dominate the landscape and the way that we sell our tea.

The Act itself remains in court with challenges to three critical areas. 100% of tea sold should be through the Mombasa auction. Within 8 years 40% of tea purchases must be in value added form. A new Levy will be imposed to pay for a price stabilization fund. We await judgement on these clauses but each in their way carry consequences should they be implemented.

Our target markets have changed significantly in the past 12 months. The Mombasa auction is now a critical focus with two key players buying tea, Pakistan and Egypt capturing around 60% of all purchases. We have refocused our attention to selling main grades tea to them.

Our quality efforts have been enhanced by the aforementioned harvesters we purchased from Japan. The operational and logistic changes have ensured that plucking rounds can be carefully monitored and controlled. Once this has happened the opportunity to make teas that are competed for by the two main demand markets is possible.

We can never rest easily and the future can never be accurately predicted. We may estimate, we may forecast but any prediction is doomed to failure. Prediction is high tariff gambling.

What we can do is analyse the year and after a very depressed first 5 months or so the market picked up. Kapchorua has been at the vanguard of a remarkable turnaround for some commercial companies with prices particularly to Egyptian buyers matching and frequently bettering our competitors. We are now competing consistently with Nandi competitors who have been selling in the Pakistan and Egyptian markets a lot longer than we have. This is highly commendable as breaking down buyers' loyalty and perception is no easy task but the hard work is paying off.

Following multiple newspaper articles, it may be important to explain that the KTDA control at least 65% of Kenya's tea production. This means that any buyer operating in Kenya cannot ignore them! The KTDA therefore are able to place minimum prices on their teas secure that the two main demand destinations will continue to buy. For your company, we are not able to compel buyers to purchase our teas, we must convince. This is an entirely different dynamic and requires quality, consistency, marketing and efficiency to achieve success. An auction system does not guarantee a sale. A disastrous scenario of not selling for a number of weeks would mean no cash, and no cash means after time no business thus a minimum price is out of the question.

Market Outlook

An election frequently brings with it change; however, our hope is that stability in a very unstable world is achieved.

In short, we know what to do, we are good at what we do, please let us get on with it.

Demand for Kenya tea remains concentrated on Pakistan and Egypt. It would be hugely encouraging if national efforts to negotiate demand from a still very protectionist India were taken. The population in India is increasing and will overtake China soon. The culture from North to South is tea drinking but at some point, there will be insufficient tea produced locally to provide for the domestic Indian market. Kenya can provide.

Europe, the UK and North America are in transition with retailers continuing to demand a large percentage for sales. With inflationary pressures and higher prices (KTDA minimum price) for Kenya teas these packers are turning to inferior destinations, Malawi, Tanzania and South India. The probability is that sales will therefore continue to decline in the Western world as customers turn to alternative beverages.

From the large volumes of tea printed in the auction on a weekly basis we can speculate that there is more than sufficient supply to meet current demand.

For your company it is critical to continue to take a larger slice of the existing cake by sticking to the basics of consistent quality.

We have rebranded our door sales packaging and hope to generate a little more demand. A number of new starts up factories in Nandi are concentrating on door and local sales. One of the reasons for this is the quality demands locally are less stringent than for export and this means that a lower standard of purchased green leaf can be tolerated.

For us we have set our course on gaining sales in Pakistan and Egypt. Door sales are packed from the same leaf that makes all our invoices.

General Outlook

We are constantly looking to improve our core business in a measured manner. Improvement is often associated with increased productivity, which is of course achieved by technology, machinery and investment.

Renewable energy in the fight against climate change is essential. Investing in our farms and tea production is desirable. Improved capacity in a factory increases output and quality by avoiding the days a factory is over loaded.

We have commenced with a large and ambitious plan to expand the factory capacity whilst optimizing the workforce into two shifts to achieve a desirable mix of more tea produced in a more economical manner. As I write the project is on its deadline target and will be completed before the end of the year.

This does mean a gradual reduction in our workforce through retirement over time. For context let us return to the FAO briefly, the removal of drudgery and the reversal of rural youth emigrating to urban areas is a prime concern for them.

Why? Everybody is aspirational, nobody wants a job that day in and day out involves drudgery. For agricultural companies to attract migrating rural youth we need to offer employment that is challenging, enjoyable and rewarding. They represent the future and only by youth remaining in rural areas will those areas continue to prosper.

By definition the jobs available will gradually change from the historical norm. This evolution is required for progress and prosperity. We operate in rural areas where the infrastructure is of course different to urban areas. This is recognized by government of Kenya research and therefore we must prepare accordingly. Blueprints for a new, environmentally friendly model village to cater to ideal worker numbers on the farm are in the pipeline with a view to the future. More later!

Dividends

In view of the results, the Directors are recommending a final dividend payment of Shs 10 per share (2021: Shs 10 per share).

Corporate Social Responsibility

The company continues to embrace social enhancing ethics, food safety standards and sustainable agricultural practices. The company is still certified by ISO 2200:2005, Rainforest Alliance, FSSC 2200 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 company continues to provide extensive medical services to its employees with 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.

Through the Kenya Tea Growers Association, the Company continues to support the running and development of various sponsored Primary and Secondary Schools in Nandi County. We continue to operate several creches and a Primary School together with bursary schemes for gifted students proceeding to Secondary education.

Welfare

The number of permanent and seasonal employees exceeded 434 with over 1,017 of their dependents who also benefit from the social and welfare amenities provided.

During the year, the company spent over Shs 33 million on employees' pension, gratuities, leave and medical expenses over and above employees' direct wages.

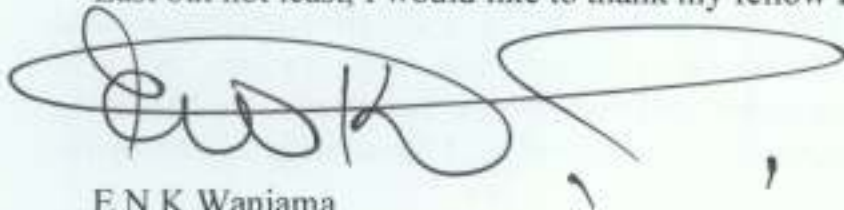
Appreciation

I would like to thank all our management staff led by the Managing Director, Mr. Alan Carmichael and the Visiting Agent Mr. Samuel Thumbi.

The Farm management under the charge of Mr. Ronald Ngala.

My thanks also go to the Chief Financial Officer Mr. Angus Nyariki, all at the Nairobi Head Office and all our staff on the farm.

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



E N K Wanjama
Chairman

30th June 2022

Corporate Governance is the process and structure used to direct and manage business affairs of the company towards enhancing prosperity and corporate accounting with the ultimate objective of realizing shareholders long-term value while taking into account the interest of other stakeholders. The principles and standards adhered to by the Board have been developed with close reference to guidelines on corporate governance issued by the Capital Markets Authority, Code of Corporate Governance Practices for Issuers of Securities to The Public 2015 (“the Code”) and other global best practices.

Board of Directors

The Board as at 31 March 2022 consisted of seven directors, five of whom were non-executive directors including the Chairman. Among the non-executive directors three are 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 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 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 shareholder value while taking into account the interest of other stakeholders are achieved.

The Board ensures that procedures and practices are set in place to ensure effective control over strategic, financial, operational and compliance issues. The Board meets to review annual 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 its authority for conduct of the day-to-day business to the Managing Director assisted by a team of able managerial staff.

The full Board meets at least once every quarter for scheduled meetings and on other occasions as required for consideration of exceptional matters. A timetable of calendar dates for Board meetings to be held during the year is circulated in advance to the Board. The notice of board meetings is distributed together with the agenda and Board papers to all directors 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 Chief Financial officer is also a member of ICPAK and Institute of Certified public Secretaries of Kenya (ICPSK)

Board remuneration

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

Executive directors’ remuneration is paid by Williamson Tea Kenya Plc, a shareholder of the company which has 39.56% shareholding in Kapchorua Tea Kenya Plc. Williamson Tea Kenya Plc in turn recharges Kapchorua commission calculated as a percentage of revenue to recover these and other costs.

Directors' shareholding

None of the directors as at end of the year 31 March 2022 held shares in their individual capacity that were more than 2% of the company's total equity. The directors' direct interest in the shares of the company as at 31 March 2022 is summarised below:

Name	Number of Shares	
	2022	2021
E N K Wanjama	200	200
J P Brooks	9,000	9,000

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 responsibilities are discharged through the Williamson Tea Kenya Plc governance and audit committee. This committee meets regularly ahead of scheduled full Board meeting dates, and as appropriate on other occasions. It reviews corporate governance compliance issues, and its implementation; risk management; internal control; and external auditors' plan and reports.

Board Nominating committee

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

Staff and Remuneration committee

There is a staff and remuneration committee that 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 company's system of internal controls and for reviewing their effectiveness. The company has defined procedures and financial controls to ensure the reporting of complete and accurate accounting information.

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

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

Communication with shareholders

The company is committed to ensuring that there is open and good communication with shareholders through the Annual General Meeting, distribution of the company's annual report and the release of notices in the press of its half yearly and annual results.

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.

Major shareholders

As at 31 March 2022, the top 10 shareholders were as follows:

	Name	Location	No of shares	%
1	Williamson Tea Kenya Plc	Nairobi	3,095,560	39.56
2	Ngong Tea Holdings Limited	London	1,874,528	23.96
3	Shawmut Limited	Nairobi	978,000	12.50
4	Eric Charles Simons	London	120,000	1.53
5	Mr Minesh M Shah	Nairobi	118,428	1.51
6	Satchu Aly-Khan	Nairobi	109,400	1.40
7	Kanaiyalal Mansukhalal & Shah Lalitaben Kanaiyalal	Nairobi	89,268	1.14
8	Mr. Ronald Carlile Buxton	London	67,500	0.86
9	Bijal Mulchand Shah	Nairobi	63,632	0.81
10	John. N. Brooks & J.T. Brooks	Koru	46,600	0.60

Analysis of shareholders

By region:

	Number	Shares held	%
Foreign shareholders	27	2,277,396	29.11
Local shareholders (Individuals)	658	1,323,092	16.91
Local shareholders (Institutional)	44	4,223,512	53.98
	<u>729</u>	<u>7,824,000</u>	<u>100</u>

By shares distribution:

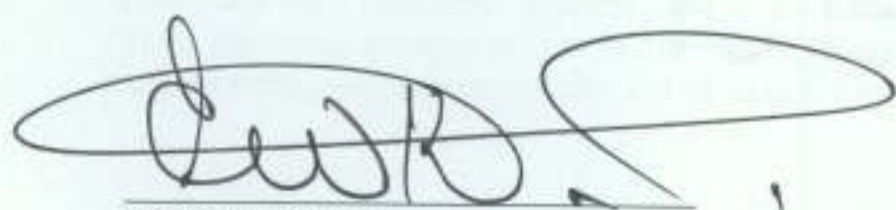
	Number	Shares held	%
Less than 501	464	61,232	0.78
501 to 10,000	222	586,872	7.50
10001 to 100,000	37	879,980	11.25
100,001 to 1,000,000	4	1,325,828	16.95
Above 1,000,000	2	4,970,088	63.52
	<u>729</u>	<u>7,824,000</u>	<u>100</u>

2021/2022 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	4/4		1/1
Alan L Carmichael	Executive	Managing Director	Membership	√		√
			Attendance	4/4		1/1
Mathew Koech	Non-executive	Chairman of Governance & Audit Committee	Membership	√	√	
			Attendance	4/4	2/2	
JP Brooks	Non-executive		Membership	√	√	
			Attendance	4/4	2/2	
P Magor	Non-executive		Membership	√		√
			Attendance	4/4		1/1
E Magor	Non-executive		Membership	√	√	
			Attendance	4/4	2/2	
S N Thumbi	Executive	Farm Director	Membership	√		
			Attendance	4/4		

√ 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 Head of Finance are not members of the Governance and Audit Committee but attend by invitation.



E N K Wanjama
 Chairman



Mathew Koech
 Director

The directors present their report together with the audited financial statements of Kapchorua Tea Kenya PLC (the "company") for the year ended 31 March 2022, which show the state of its financial affairs.

ACTIVITIES

The principal activities of the company are the cultivation, manufacture and sale of tea.

RESULTS

	2022 Shs'000	2021 Shs'000
Profit before tax	303,013	34,114
Income tax charge	(88,997)	(27,049)
	<hr/>	<hr/>
Profit for the year	<u>214,016</u>	<u>7,065</u>

BUSINESS REVIEW

Performance

The crop production decreased by 13.4% from 6.7 million kilos to 5.8 million kilos of made tea. The volumes of tea sold decreased from 7.1 million kilos sold last year to 5.9 million kilos sold this year, an equivalent of 15.7%. The turnover on the other hand decreased by 2.1% to Shs 1.42 billion compared to Shs 1.45 billion reported last year. The average tea prices increased from Shs 206 per kilo of made tea fetched last year to Shs 240 per kilo of made tea realised this year. The company recorded a total profit for the year of Shs 214 million compared to Shs 7 million reported in the previous year

Principal risks and 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 company is exposed to include:

- Agricultural risk which mainly entails climatic changes ranging from drought, floods and other adverse weather conditions which have a significant impact on the crop production. The company has put in place sound agricultural practices to mitigate this agricultural risk.
- Financial risks which span across the markets and the financial aspects of the company. These include the market risks, price risk, credit risk, currency risk, foreign exchange fluctuations exposure, liquidity risk, interest rate risk and other regulatory risks that affect the market and financial sector operations which could have a ripple effect on the company.
- Operational risks mainly include both internal and external factors that affect the company 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 which affect the investment decisions of the company, different levels of governance structures which affect the state of the infrastructure among others impact the operations of the company.
- Environmental and social sustainability risks which require development of policies and practices that promote co-existence of the company with both internal and external stakeholders. The company 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.

BUSINESS REVIEW (Continued)

Principal risks and uncertainties (Continued)

In March 2020, the World Health Organization (WHO) officially declared the recent global outbreak of a novel strain of COVID-19 Coronavirus as a pandemic. This health hazard resulted in significant governmental measures and caused disruption to the financial markets and global economy however this did not significantly affect the tea industry.

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 company. 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 7 to 11 and of Corporate Governance Statement on pages 12 to 15.

DIVIDENDS

The directors recommend that a first and final dividend of Shs 10 per share (2021- Shs 10), totalling Shs 78,240,000 for the year ended 31 March 2022 (2021 -Shs 78,240,000) be paid to owners of the company. The final dividend is subject to approval by the shareholders of the company at the next Annual General Meeting.

TEA PRODUCTION

The following are comparative tea production statistics:

Year ended 31-March	Kapchorua estate Kgs'000	Bought leaf Kgs'000	Total Kgs'000
2022	1,694	4,128	5,822
2021	1,932	4,814	6,746
2020	1,819	4,087	5,906
2019	2,070	3,730	5,800
2018	2,095	3,654	5,749
2017	1,709	3,741	5,450
2016	2,196	3,873	6,069
2015	2,122	3,331	5,453
2014	2,259	3,445	5,704
2013	2,288	3,915	6,203
2012	2,109	3,758	5,867
2011	2,131	3,891	6,022
2010	2,032	4,027	6,059
2009	1,666	3,544	5,210
2008	1,361	2,738	4,099

The projected tea production for the year to 31 March 2023 is 5,785,722 kilograms which includes 3,880,433 kilograms from out growers.

TEA PRODUCTION (Continued)

PLANTED AREA

The planted area under tea as at year end was as follows:

	31 March 2022 Hectares	31 March 2021 Hectares
Mature	575	560
Immature	63	78
	<u>638</u>	<u>638</u>

DIRECTORS

The directors who held office at the date of this report are shown on page 3.

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 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 company's auditors are aware of that information.

SECRETARY

Gilbert K Masaki continues as the company secretary.

MANAGEMENT

Mr Ronald Ngala is the General Manager of the Kapchorua Farm.

AUDITORS

PricewaterhouseCoopers LLP, having expressed their willingness, continue in office in accordance 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



Gilbert K Masaki
Secretary

Nairobi, Kenya

30th June 2022

The directors' remuneration report sets out the remuneration arrangements for the directors of Kapchorua Tea Kenya Plc for the year ended 31 March 2022.

Remuneration policy for Executive and Non-Executive Directors

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 are 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 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.

Director's remuneration paid during the year

	Fees Shs'000	Sitting allowance Shs'000	Total Shs'000
Non - executive directors			
31 March 2022			
Philip Magor	4,504	144	4,648
Edward Magor	4,504	202	4,706
Mathew Koech	720	230	950
E N K Wanjama	1,080	144	1,224
JP Brooks	720	202	922
	<hr/>	<hr/>	<hr/>
Total	11,528	922	12,450
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
31 March 2021			
Philip Magor	4,264	173	4,437
Edward Magor	4,265	230	4,495
Mathew Koech	720	202	922
E N K Wanjama	1,080	202	1,282
JP Brooks	720	230	950
	<hr/>	<hr/>	<hr/>
Total	11,049	1,037	12,086
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

During the year, the company also paid directors fees of Shs 377,732 to Williamson Tea Kenya Plc relating to the executive directors. Accordingly, the total directors' remuneration for the year was Shs 12,827,000 (2021: Shs 12,392,000)

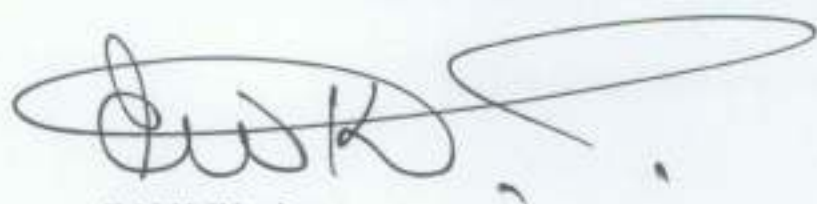
Executive directors

Executive directors' remuneration is paid by Williamson Tea Kenya Plc, a shareholder of the company which has 39.56% shareholding in Kapchorua Tea Kenya Plc. Williamson Tea Kenya Plc in turn recharges Kapchorua commission calculated as a percentage of revenue to recover these and other costs.

Approval of the directors' remuneration report

The directors confirm that this report has been prepared in accordance with the Kenyan Companies Act 2015.

BY ORDER OF THE BOARD



E N K Wanjama
Chairman

30th June 2022

The Kenyan Companies Act, 2015 requires the directors to prepare financial statements for each financial year that give a true and fair view of the financial position of the company as at the end of the financial year and of its profit or loss for that year. It also requires the directors to ensure that the company maintains proper accounting records that are sufficient to show and explain the transactions of the company and disclose, with reasonable accuracy, the financial position of the company. The directors are also responsible for safeguarding the assets of the company, and for taking reasonable steps for the prevention and detection of fraud and error

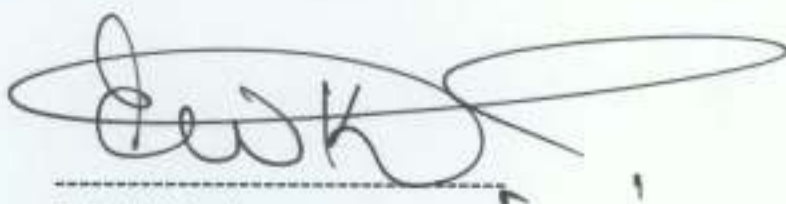
The directors accept responsibility for the preparation and presentation of these financial statements in accordance with the International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 2015. They also accept responsibility for:

- (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 judgements that are reasonable in the circumstances.

Having assessed the company's ability to continue as a going concern, the directors are not aware of any material uncertainties related to events or conditions that may cast doubt upon the company's ability to continue as a going concern.

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 30th June 2022 and signed on its behalf by:



E N K Wanjama
Chairman



Mathew Koech
Director

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CONQUEROR



Independent auditor's report to the shareholders of Kapchorua Tea Kenya Plc.

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of Kapchorua Tea Kenya Plc (the "Company") set out on pages 26 to 66 which comprise the statement of financial position at 31 March 2022 and the statements of profit or loss and other comprehensive income, changes in equity, and cash flows for the year then ended and the notes to the financial statements, which include a summary of significant accounting policies.

In our opinion the financial statements give a true and fair view of the financial position of Kapchorua Tea Kenya Plc at 31 March 2022 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2015.

Basis for Opinion

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

We are independent of the company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya. We have fulfilled our other ethical responsibilities in accordance with 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

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers LLP, PwC Tower, Waiyaki Way/Chiromo Road, Westlands
P O Box 43963 – 00100 Nairobi, Kenya
T: +254 (20)285 5000 F: +254 (20)285 5001 www.pwc.com/ke

Partners: E Kerich B Kimacia M Mugasa A Murage F Muriu P Ngahu R Njoroge S O Norbert's B Okundi K Saiti

Independent auditor's report to the shareholders of Kapchorua Tea Kenya Plc (Continued)

Key Audit Matter	How Our Audit Addressed the Key Audit Matter
<p>Valuation of biological assets</p> <p>As disclosed in note 3(ii) and 15 of the financial statements, the Company has significant biological assets consisting of unharvested green leaf and plantations of trees for fuel and timber sales. The biological assets are carried at fair value less estimated costs to sell.</p> <p>The company uses internally developed models to estimate the fair value less costs to sell of biological assets based on the biological transformation of the assets rather than the price at the time of harvest.</p> <p>The company applies significant assumptions and estimates in determining the fair value less costs to sell of the biological assets based on both observable and non-observable data. The most significant assumptions and estimates include expected market prices, estimated costs to sell, biological transformation, maturity period for fuel and timber plantations, and the applicable discount rate for calculation of the present value of projected future cash flows.</p> <p>The assumptions and uncertainties involved in these estimates and judgements could have a material impact on the financial results and financial position of the Company.</p>	<p>We assessed management's process and controls for determination of the fair value of the biological assets, including oversight from those charged with governance.</p> <p>Performed, on a sample basis, a physical verification of the acreage of the biological asset to confirm the existence of the assets.</p> <p>Validated the significant assumptions in the valuation models against available market information or other independent sources of information.</p> <p>Tested the non-observable inputs used in the model against the underlying information to assess their accuracy, reliability and completeness.</p> <p>Subjected the key assumptions used in the model to a sensitivity analysis.</p> <p>Tested the mathematical accuracy of the valuation models.</p> <p>Assessed the adequacy and consistency of the related disclosures in the financial statements in accordance with the requirements of International Financial Reporting Standards.</p>

Other information

The other information comprises the Chairmans' Statement, Corporate Governance Statement, Report of Directors, Directors' Remuneration Report and Statement of Directors' Responsibilities, which we obtained prior to the date of this auditor's report, but does not include the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in this report, we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the 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 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 we have received prior to the date of this auditor's 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.

Independent auditor's report to the shareholders of Kapchorua Tea Kenya Plc (Continued)

Responsibilities of directors for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015 and for such internal controls as directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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 company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 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 ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Independent auditor's report to the shareholders of Kapchorua Tea Kenya Plc (Continued)

Auditor's responsibilities for the audit of the financial statements (continued)

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 Company's 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 Companies Act, 2015

Report of the directors

In our opinion the information given in the report of the directors on pages 16 - 18 is consistent with the financial statements.

Directors' remuneration report

In our opinion the auditable part of the directors' remuneration report on page 19 - 20 has been properly prepared in accordance with the Companies Act, 2015.



FCPA Michael Mugasa, Practicing Certificate Number 1478
Engagement partner responsible for the audit

For and on behalf of PricewaterhouseCoopers LLP
Certified Public Accountants
Nairobi.

30th June 2022


Statement of profit or loss and other comprehensive income
For the year ended 31 March

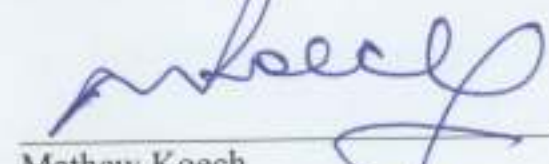
	Notes	2022 Shs'000	2021 Shs'000
Revenue	4	1,415,471	1,445,640
Gains/(losses) from changes in fair value of biological assets			
- Timber trees	15	45,906	15,531
- Fuel trees	15	18,392	298
- Unharvested green leaf		(13,281)	5,201
Operating income		1,466,488	1,466,670
Cost of sales		(1,128,800)	(1,364,662)
Gross profit		337,688	102,008
Other income		17,976	5,497
Interest income	7	31,220	13,599
Finance income	7	3,355	10,243
Distribution costs		(66,811)	(78,931)
Administrative expenses		(20,415)	(18,302)
Profit before tax	5	303,013	34,114
Income tax charge	8	(88,997)	(27,049)
Profit for the year		214,016	7,065
Other comprehensive income			
<i>Items that may not be reclassified subsequently to profit or loss;</i>			
Gain on revaluation of property and equipment		-	210,848
Deferred income tax on revaluation surplus	20	-	(63,254)
Change in tax rate		-	(17,049)
Re-measurement of post-employment benefits obligation	21	2,410	-
Deferred income tax on post-employment re-measurement		(723)	-
		1,687	130,545
Total comprehensive income for the year		215,703	137,610
Earnings per share - basic and diluted (Shs)	9	27.35	0.90

**Statement of financial position
 At 31 March**

	Notes	2022 Shs'000	2021 Shs'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	948,574	991,564
Right of-use -assets	12	19,362	19,794
Intangible assets	13	292	42
Unquoted investment	14	14,203	717
Biological assets – Timber and fuel trees	15	258,274	197,962
		<u>1,240,705</u>	<u>1,210,079</u>
Current assets			
Unharvested green leaf	15	2,271	15,552
Inventories	16	201,331	219,073
Trade and other receivables	17	122,458	177,283
Current income tax	8	-	1,557
Cash and bank balances	18	582,315	458,161
		<u>908,375</u>	<u>871,626</u>
Total assets		<u>2,149,080</u>	<u>2,081,705</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	19	39,120	39,120
Other reserves	19	404,725	374,936
Retained earnings		1,179,879	1,072,205
Shareholders' funds		<u>1,623,724</u>	<u>1,486,261</u>
Non-current liabilities			
Deferred income tax	20	278,885	268,738
Post-employment benefits obligation	21	95,646	140,767
		<u>374,531</u>	<u>409,505</u>
Current liabilities			
Current income tax	8	29,474	-
Dividends payable	10	3,644	3,642
Trade and other payables	22	117,707	182,297
		<u>150,825</u>	<u>185,939</u>
Total equity and liabilities		<u>2,149,080</u>	<u>2,081,705</u>

The financial statements on pages 26 to 66 were approved and authorised for issue by the board of directors on 30th June 2022 and were signed on its behalf by:


 E N K Wanjama
 Chairman


 Mathew Koech
 Director

Statement of changes in equity

	Notes	Share capital Shs'000	Other reserves Shs'000	Retained Earnings Shs'000	Total Shs'000
Year ended 31 March 2021					
At start of year		39,120	255,729	1,132,042	1,426,891
Profit for the year		-	-	7,065	7,065
Other comprehensive income		-	130,545	-	130,545
Transfer of excess depreciation		-	(16,197)	16,197	-
Deferred income tax on excess depreciation		-	4,859	(4,859)	-
Transaction with owners:					
- Dividend paid	10	-	-	(78,240)	(78,240)
At end of year		<u>39,120</u>	<u>374,936</u>	<u>1,072,205</u>	<u>1,486,261</u>
Year ended 31 March 2022					
At start of year		39,120	374,936	1,072,205	1,486,261
Profit for the year		-	-	214,016	214,016
Other comprehensive income	19	-	1,687	-	1,687
Revaluation reserve release on disposal		-	19,014	(19,014)	-
Deferred income tax on disposal		-	(5,704)	5,704	-
Transfer of excess depreciation		-	21,132	(21,132)	-
Deferred income tax on excess depreciation		-	(6,340)	6,340	-
Transaction with owners:					
- Dividend paid	10	-	-	(78,240)	(78,240)
At end of year		<u>39,120</u>	<u>404,725</u>	<u>1,179,879</u>	<u>1,623,724</u>

Statement of cash flows
For the year ended 31 March

	Notes	2022 Shs'000	2021 Shs'000
Cash flows from operating activities			
Cash generated from operations	23	298,719	237,648
Interest received	7	31,220	13,599
Interest paid	7	(34)	(143)
Tax paid	8	(48,542)	(1,150)
		<hr/>	<hr/>
Net cash flows from operating activities		281,363	249,954
		<hr/>	<hr/>
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(84,970)	(66,734)
Purchase of intangible assets computer software	13	(342)	-
Proceeds from disposal of PPE		8,777	-
Additions to biological assets	15	(2,532)	(4,343)
		<hr/>	<hr/>
Net cash flows from investing activities		(79,067)	(71,077)
		<hr/>	<hr/>
Cash flows from financing activities			
Dividend paid	10	(78,238)	(77,016)
		<hr/>	<hr/>
Net cash flows from financing activities		(78,238)	(77,016)
		<hr/>	<hr/>
Increase in cash and cash equivalents		124,058	101,861
Cash and cash equivalents at start of year		458,161	352,800
Effects of exchange rate changes on cash and cash equivalents		96	3,500
		<hr/>	<hr/>
Cash and cash equivalents at end of year	18	582,315	458,161
		<hr/>	<hr/>

Notes

1 GENERAL INFORMATION

Kapchorua Tea Kenya PLC (the "Company") is incorporated in Kenya under the Companies Act, 2015 as a private limited liability company and is domiciled in Kenya. The address of its registered office is:

Karen Office Park
Acacia Block 2nd Floor
Lang'ata Road
PO BOX 42281-00100
Nairobi

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB), and in the manner required by the Kenyan Companies Act, 2015.

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

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

(i) Relevant new standards and amendments to published standards effective for the year ended 31 March 2022

IFRS 16, 'Leases' Covid 19- Related Rent Concessions Amendment

This amendment was published in June 2020 and was effective for annual periods beginning on or after 1 June 2020.

The IASB has provided lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification, provided that the concession meets certain conditions. Lessees can elect to account for qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as a variable lease payment.

On 31 March 2021, the IASB published an additional amendment to extend the date of the May 2020 practical expedient from 30 June 2021 to 30 June 2022. The March 2021 amendment will only be available if an entity chose to apply the May 2020 optional practical expedient.

Directors do not plan on early adopting the standard until it becomes effective. It is not expected to have any material effect on the Company.

Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement', IFRS 7 'Financial Instruments: Disclosures', IFRS 4 'Insurance Contracts' and IFRS 16 'Leases' – interest rate benchmark (IBOR) reform (Phase 2)

This amendment was published in August 2020 and is effective for annual periods beginning on or after 1 January 2021.

The Phase 2 amendments address issues that arise from the implementation of the reform of an interest rate benchmark, including the replacement of one benchmark with an alternative one.

Directors do not plan on early adopting the standard until it becomes effective. It is not expected to have any material effect on the Company.

Notes (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(ii) New and revised IFRS Standards in issue but not yet effective for the period ended 31 March 2022

In the current year, the Company has applied the below amendments to IFRS Standards and Interpretations issued by the Board that are effective for an annual period that begins on or after 31 March 2022. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to IAS 37 Onerous Contracts—Cost of Fulfilling a Contract

This amendment was published in May 2020 and is effective for annual periods beginning on or after 1 January 2022.

The amendment clarifies which costs an entity includes in assessing whether a contract will be loss-making. This assessment is made by considering unavoidable costs, which are the lower of the net cost of exiting the contract and the costs to fulfil the contract. The amendment clarifies the meaning of 'costs to fulfil a contract'. Under the amendment, costs to fulfil a contract include incremental costs and the allocation of other costs that relate directly to fulfilling the contract.

The Directors of the Company are currently assessing the impact of these amendments and plan to adopt the amendments on the required effective date if necessary

Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use

This amendment was published in May 2020 and is effective for annual periods beginning on or after 1 January 2022.

The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced when testing a machine to see if it is functioning properly). The proceeds from selling such items, together with the costs of producing them, are recognized in profit or loss.

Directors do not plan on early adopting the standard until it becomes effective. It is not expected to have any material effect on the Company.

Amendment to IAS 1, 'Presentation of Financial Statements' on Classification of Liabilities as Current or Non-current

This amendment was published in January 2020 and is effective for annual periods beginning on or after 1 January 2022.

The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. A number of requirements are required to be met in conjunction with this amendment.

Directors do not plan on early adopting the standard until it becomes effective. It is not expected to have any material effect on the Company.

Amendments to IAS 12, Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

This amendment was published in May 2021 and is effective for annual periods beginning on or after 1 January 2023.

The amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.

Directors do not plan on early adopting the standard until it becomes effective. It is not expected to have any material effect on the Company.

Notes (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(ii) New and revised IFRS Standards in issue but not yet effective for the period ended 31 March 2022 (continued)

Narrow scope amendments to IAS 1 'Presentation of Financial Statements', Practice statement 2 and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'

This amendment was published in February 2021 and is effective for annual periods beginning on or after 1 January 2023.

The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish changes in accounting policies from changes in accounting estimates

Annual improvements cycle 2018 -2020

These amendments include minor changes to:

- IFRS 1, 'First time adoption of IFRS' has been amended for a subsidiary that becomes a first-time adopter after its parent. The subsidiary may elect to measure cumulative translation differences for foreign operations using the amounts reported by the parent at the date of the parent's transition to IFRS.

- IFRS 9, 'Financial Instruments' has been amended to include only those costs or fees paid between the borrower and the lender in the calculation of "the 10% test" for derecognition of a financial liability. Fees paid to third parties are excluded from this calculation.

- IFRS 16, 'Leases', amendment to the Illustrative Example 13 that accompanies IFRS 16 to remove the illustration of payments from the lessor relating to leasehold improvements. The amendment intends to remove any potential confusion about the treatment of lease incentives.

- IAS 41, 'Agriculture' has been amended to align the requirements for measuring fair value with those of IFRS 13. The amendment removes the requirement for entities to exclude cash flows for taxation when measuring fair value.

(iii) Early adoption of standards

The Company did not early-adopt any new or amended standards in 2022.

Basis of Preparation

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

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

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown net of value-added tax (VAT), rebates and discounts.

Revenue is recognized when the Company satisfies the performance obligation and transfers control of the goods or services to the customer at the amount to which the company expects to be entitled and that is allocated to that specific performance obligation.

Notes (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (continued)

Revenue is recognised as follows:

- a) Sales goods (teas) are recognised at a point in time when the control of the promised goods transfers to the customer and the entity has satisfied its performance obligations under the contract with the customer. The point of transfer of control is determined as the date of delivery of goods to the customer for local sales and date of bill of lading for export sales. For auction sales, revenue is recognised when control of the tea has transferred, being at the fall of the hammer.
- b) Dividends receivable are recognized as income in the period in which the right to receive payment is established.
- c) Interest income is recognized when it is probable that the economic benefits will flow to the company and the amount of income can be measured reliably. Interest income is accrued on time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

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

Other income

Other income is recognised in the profit or loss when the "other income" is earned and control of the related asset is transferred or when the "other expense" is incurred.

Inventories

Made tea inventories are stated at the lower of cost and net realisable value. Cost comprises 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.

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 (produce growing on tea bushes, 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 in the statement of 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 10). However, the produce growing on these tea bushes is accounted for as biological assets at the point of harvest. Harvested produce is transferred to inventory at fair value less costs to sell when harvested.

The produce growing 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.

Immature trees, where cost approximate fair value, are valued at cost.

Notes (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. The amortisation charge has been included as part of cost of sales. Amortization periods and methods of amortization are reviewed at each reporting date. The average remaining amortisation period is one year.

Property, plant and equipment

Property, plant and equipment are stated at cost or as professionally revalued less accumulated depreciation and any impairment losses. Professional valuations are carried out in accordance with the company's policy of revaluing certain items of property, plant and equipment after every three years.

The basis of valuation for buildings, machinery and equipment is market value approach.

Any revaluation increase arising on the revaluation is recognised 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.

Depreciation

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 effect of any changes in estimate accounted for on a prospective basis.

Land is not depreciated. Capital work in progress is not depreciated until the asset is brought into use.

The annual rates generally in use are:

Buildings	5%
Dams	2.5%
Machinery and equipment	10%
Tractors & accessories	10% - 25%
Motor vehicles	25%
Office equipment, furniture and fittings	10%
Computers	25%
Bearer plants	2%

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

Depreciation on revalued building and machinery and equipment is recognised in profit or loss. On subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to accumulated surplus.

Notes (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Depreciation (continued)

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

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.

Leases

The Company as lessee

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The lease liability is presented as a separate line in the statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used). A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on

Notes (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (continued)

The Company as lessee (Continued)

the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position. The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "Other expenses" in profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient. For a contract that contain a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Income tax

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

(i) Current income tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The 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 income tax

Deferred income tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the 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.

Notes (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(ii) Deferred income tax (continued)

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

(ii) Current and deferred income tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Employee benefit costs

(i) Company defined contribution retirement benefit scheme

The company participates in a defined contribution scheme for eligible non-unionisable employees operated by Williamson Tea Kenya Limited for its employees. The assets of the scheme are held in a separate trustee administered fund. The scheme is funded from contributions from both the company and employees. The company'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 company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Fund Act. The company's obligations under the scheme are limited to specific contributions legislated from time to time, currently Sh 200 per employee per month.

The company's contributions are charged to profit or loss in the year to 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 accrued at the end of the reporting period.

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 with the company are entitled to twenty-two days' pay for each completed year of service by way of gratuity, based on the wages or salary at the time of such resignation or termination of services, as provided for in the trade union agreement with the company. 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 based on the present value of benefits payable as they accrue to each employee.

Impairment of tangible and intangible assets

At the end of each reporting period, the company 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 company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Notes (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of tangible and intangible assets (continued)

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 in which case the impairment loss is treated as a revaluation decrease. 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.

Foreign currencies

Monetary assets and liabilities expressed in foreign currencies are translated into Kenya Shillings at the rates of exchange ruling at the end of the reporting period. Transactions during the year are translated at the rates ruling at the dates of the transactions. Gains and losses on exchange are dealt with through profit or loss.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Date of recognition

Financial assets and liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

Initial recognition and measurement

Financial assets are classified, at initial recognition and subsequently measured at amortised cost and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Receivables that do not contain a significant financing component are measured at the transaction price determined under IFRS 15.

Financial assets

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Notes (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (continued)

Financial assets (continued)

- Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through profit or loss.

Financial assets at amortised cost (debt instruments)

The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost include Loans and receivables, cash and cash equivalents, deposits with financial institutions, commercial papers, corporate bonds, other receivables, government securities at amortised cost and due from related parties.

The SPPI test

As a second step of its classification process the Company assesses the contractual terms to identify whether they meet the SPPI test.

"Principal" for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a debt arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the period for which the interest is set.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

The Company has classified quoted equity instruments and investments in collective investment scheme in this category.

Notes (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (continued)

Derecognition

Derecognition other than for substantial modification

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Derecognition due to substantial modification of terms and conditions

The Company derecognises a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new instrument, with the difference recognised as derecognition gain or loss. When assessing whether or not to derecognise an instrument, amongst others, the Company considers the following factors: introduction of an equity feature, change in counterparty and if the modification is such that the instrument would no longer meet the SPPI criterion.

If the modification does not result into cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Company records a modification gain or loss.

Impairment 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 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.

Notes (continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unquoted equity investments

All equity investments in scope of IFRS 9 are to be measured at fair value in the statement of financial position, with value changes recognised in profit or loss, except for those equity investments for which the entity has elected to present value changes in 'other comprehensive income.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and deposits held with banks.

Dividends

Dividends on ordinary shares are charged directly to equity in the period in which they are declared. Dividend distributions to the company's shareholders are recognised as a liability in the financial statements in the year in which the dividends are approved by the shareholders.

Earnings per share

The Company presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Comparatives

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

Notes (continued)

3 CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

These are dealt with below:

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

Impairment

At the end of each reporting period, the Company 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. 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 Company estimates the recoverable amount of the cash generating unit to which the asset belongs. Any impairment losses are recognised immediately. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount. A reversal of an impairment loss other than that arising from goodwill, is recognised as income immediately.

Revaluation of assets

Some of the Company's assets are stated as professionally valued every three years. The board of directors of the Company determines the appropriate valuation techniques and inputs for fair value measurements and frequency of the asset valuation. The board of directors engages third party qualified and registered valuers to perform valuation. The board and management work closely with the external valuers 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 disclosed in notes 11.

Land tenure

The new constitution that was promulgated in August 2010 provided that a person who is not a citizen may hold land on the basis of leasehold tenure only and such leases, however granted, shall not exceed 99 years. The Company'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 Company has effected accrual for the amortisation of the land over the resultant remaining lease period under right of use assets. The Company has yet to receive the new title deeds.

(ii) Key sources of estimation uncertainty

Biological assets (timber and fuel)

The most significant assumptions and estimates include use of 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. In determining the fair value less costs to sell of biological assets, the company uses the expected cash flows from the sale of the asset discounted at the current market determined pretax rate. The objective of a calculation of the present value of expected net cash flows is to determine the fair value of a biological asset in its present location and condition. The directors use estimates based on historical data relating to yields, selling prices, harvesting, and biological transformation. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between estimates and actual experience.

Notes (continued)

3 CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

(ii) Key sources of estimation uncertainty (continued)

Property, plant and equipment and intangible assets

Critical estimates are made by the directors in determining the useful lives and residual values of 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.

4 REVENUE

	2022 Shs'000	2021 Shs'000
a) This information is based on the principal activity of the company:		
Tea sales	1,415,471	1,445,640
	<u>1,415,471</u>	<u>1,445,640</u>
b) The company's tea sales revenue is derived from point-in-time sales the following markets:		
Global markets - exports	454,259	947,791
Kenya	961,212	497,849
	<u>1,415,471</u>	<u>1,445,640</u>

5 PROFIT BEFORE TAX

The (loss)/profit before taxation is arrived at after charging/(crediting):		
Staff costs (note 6)	195,467	215,716
Depreciation of property, plant and equipment (note 11)	98,192	102,808
Directors' emoluments:		
-Fees and allowances	12,450	12,087
Auditors' remuneration	2,013	1,569
Loss on disposal of plant and equipment	25,783	13,193
	<u>25,783</u>	<u>13,193</u>

Notes (continued)

4 STAFF COSTS

	2022 Shs'000	2021 Shs'000
Wages and salaries	162,658	177,856
Social security costs (NSSF)	1,126	1,438
Pension costs (defined contribution plan)	2,582	1,923
Post-employment benefits obligation (note 21)	(27,728)	19,561
Leave pay provision	7,781	10,869
Medical	4,289	4,069
	<u>150,708</u>	<u>215,716</u>

The average number of employees during the year ended 31 March were as follows:

Management and administration	5	6
Factory	151	157
Field	278	310
	<u>434</u>	<u>473</u>

7 FINANCE INCOME

	2022 Shs'000	2021 Shs'000
a) Interest income		
Interest income on short term deposits	31,220	13,599
b) Finance income		
Net foreign exchange and losses	3,389	10,386
Interest on bank overdrafts	(34)	(143)
	<u>3,355</u>	<u>10,243</u>

8 INCOME TAX

a) Current income tax charge/(credit)		
Current income tax based on taxable profit for the year at 30%	80,343	41,330
Prior year over-provision of current tax	(768)	(1,078)
	<u>79,575</u>	<u>40,252</u>
Deferred income tax:		
- charge/ (credit) for the year note 20)	8,673	(36,484)
- Impact of change in tax rate	-	23,281
- Prior year under-provision	749	-
	<u>9,422</u>	<u>(13,203)</u>
	<u>88,997</u>	<u>27,049</u>

Notes (continued)

8 INCOME TAX (continued)

b) Reconciliation of expected income tax based on accounting profit/(loss) to tax charge

	2022 Shs'000	2021 Shs'000
Accounting profit before tax	303,013	34,114
Tax at the applicable rate of 30% (2021:26.25%)	90,904	8,955
<i>Tax effect of income not taxable</i>		
- Other income not taxable	(3,562)	(407)
<i>Tax effect of expenses not deductible for tax purposes</i>		
- Depreciation on non-qualifying assets	149	146
- Pension costs	643	383
- Long service awards	-	173
- Donations	714	104
- Other provisions	168	54
Prior year under-provision of deferred income tax	749	-
Prior year under-provision of current income tax	(768)	(1,078)
Impact of change in tax rate*	-	23,281
Effect of deferred income tax computed at 30%	-	(4,562)
	<u>88,997</u>	<u>27,049</u>

* In prior year a composite rate of 26.25% was applied reflecting the impact of changes in tax rate for the year. The tax rate applicable for the first nine months to 31 December 2020 was 25%. Effective 1 January 2021, the tax rate was reverted back to 30% following enactment of the Tax Laws (Amendment) (No. 2) Bill, 2020.

c) Current income tax recoverable

	2022 Shs'000	2021 Shs'000
At start of year	(1,557)	(40,659)
Tax paid in the year	(48,542)	(1,150)
Charge to profit or loss	80,341	41,330
Prior year over-provision	(768)	(1,078)
	<u>29,474</u>	<u>(1,557)</u>

Notes (continued)

9 EARNINGS PER SHARE

Earnings per share is calculated by dividing the profit attributable to shareholders with the weighted average number of ordinary shares in issue during the year.

	2022 Shs'000	2021 Shs'000
Earnings		
Profit	<u>214,016</u>	<u>7,065</u>
Weighted average number of ordinary shares (thousands)		
At start and end of year (note 19)	<u>7,824</u>	<u>7,824</u>
Earnings per share		
Basic and diluted (Shs)	<u>27.35</u>	<u>0.9</u>

There were no potentially dilutive shares outstanding at 31 March 2022 or 31 March 2021. Diluted earnings per share are therefore equivalent to the basic earnings per share.

10 DIVIDENDS

(a) Proposed dividends

The directors recommend that a final dividend of Shs10 per share (2021 – Shs 10 per share), totalling Shs 78,240,000 (2021 – Shs 78,240,000) be paid to shareholders.

This dividend is subject to approval by shareholders at the Annual General Meeting to be held on 4 August 2022 and has therefore not been included as a liability in these financial statements.

The dividends payable are subject to, where applicable, deduction of withholding tax as required under the Kenyan Income Tax Act, Chapter 470 Laws of Kenya.

(b) Dividends payable:

	2022 Shs'000	2021 Shs'000
At start of year	3,642	2,418
Final dividend declared	78,240	78,240
Dividends paid	(78,238)	(77,016)
At end of year	<u>3,644</u>	<u>3,642</u>

Notes (continued)

11 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery & equipment	Tractors & accessories	Motor vehicles	Office equipment furniture & fittings	Computers	Bearer plants	Work in progress	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
COST OR VALUATION									
At 1 April 2020	341,503	252,427	47,193	28,133	5,100	17,603	515,085	76,123	1,283,167
Additions	-	38,862	342	4,027	64	613	-	22,826	66,734
Disposals	(10,999)	(2,282)	-	-	-	-	(15,438)	-	(28,719)
Transfers	-	1,609	-	-	-	-	17,489	(19,098)	-
Revaluation adjustments	58,981	(68,790)	-	-	-	-	-	-	(9,809)
At 31 March 2021	389,485	221,826	47,535	32,160	5,164	18,216	517,136	79,851	1,311,373
Comprising:									
At valuation – 2021	378,755	98,346	-	-	-	-	-	-	477,101
At cost	10,730	123,480	47,535	32,160	5,164	18,216	517,136	79,851	834,272
At 1 April 2021	389,485	221,826	47,535	32,160	5,164	18,216	517,136	79,851	1,311,373
Additions	-	6,403	-	11,390	386	1,229	-	65,561	84,970
Disposals	(24,411)	-	(5,610)	(10,350)	-	(522)	(11,044)	(3,976)	(55,914)
Transfers	1,388	3,505	1,027	-	-	-	14,853	(20,772)	-
At 31 March 2022	366,462	231,734	42,952	33,200	5,550	18,923	520,944	120,663	1,340,429
Comprising:									
At valuation – 2022	354,344	98,346	-	-	-	-	-	-	452,690
At cost	12,118	133,388	42,952	33,200	5,550	18,923	520,945	120,663	887,739
At 31 March 2022	366,462	231,734	42,952	33,200	5,550	18,923	520,945	120,663	1,340,429

Notes (continued)

11 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Buildings Shs'000	Machinery & Equipment Shs'000	Tractors & Accessories Shs'000	Motor vehicles Shs'000	Office equipment furniture and fittings Shs'000	Computers Shs'000	Bearer plants Shs'000	Work in progress Shs'000	Total Shs'000
DEPRECIATION									
At 1 April 2020	98,767	68,816	45,001	24,601	3,375	16,039	196,585	-	453,184
Charge for the year	26,908	33,983	679	1,573	398	813	38,465	-	102,819
Disposals	(5,813)	(1,993)	-	-	-	-	(7,720)	-	(15,526)
Revaluation adjustments	(119,862)	(100,795)	-	-	-	-	-	-	(220,657)
At 31 March 2021	-	11	45,680	26,174	3,773	16,852	227,330	-	319,820
At 1 April 2021	-	11	45,680	26,174	3,773	16,852	227,330	-	319,820
Charge for the year	39,933	16,063	699	2,838	281	764	37,613	-	98,192
Disposals	(4,575)	-	(5,610)	(10,350)	-	(522)	(5,097)	-	(26,155)
At 31 March 2022	35,358	16,074	40,769	18,662	4,054	17,094	259,846	-	391,857
NET BOOK VALUE									
At 31 March 2021	331,104	215,661	2,183	14,538	1,496	1,830	261,099	120,663	948,574
At 31 March 2021	389,485	221,815	1,855	5,986	1,391	1,364	289,806	79,851	991,553
NET BOOK VALUE (Cost basis)									
At 31 March 2022	36,287	113,447	2,183	14,538	1,496	1,829	261,099	120,663	551,543
At 31 March 2021	6,019	69,669	1,855	5,986	1,391	1,364	289,806	79,851	455,941

Included in property, plant and equipment are assets with an original cost of Shs 73,873,525 (2021 - Shs 117,506,484) which are fully depreciated and whose notional depreciation charge for the year would have been Shs 17,039,381 (2021 - Shs 15,004,480). Buildings, machinery and equipment were last revalued as at 31 March 2021 by Knight Frank Valuers Limited, registered valuers and estate agents on depreciated replacement cost basis. There is a charge over property title LR number 11770 IR 21761 in the name of the Company as a security for its overdraft facilities.

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).

Notes (continued)

11 PROPERTY, PLANT AND EQUIPMENT (Continued)

Land, building and machinery were last revalued as at 31 March 2021 by an independent valuer, Knight Frank, Registered Valuers and Estate Agents, using the market value approach.

Included in property, plant and equipment are assets with an original cost of Shs 186,765,000 which are fully depreciated and whose normal depreciation charge for the year would have been Shs 38,138,000.

No restrictions on plant, property and equipment, title pledged as security for liabilities. A total of Shs 60 million was being carried as capital commitments as disclosed on note 26. The fair value of plant, property and equipment does not materially differ from the carrying value.

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

The company's 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 company's buildings and machinery & equipment as at 31 March 2021 was performed by Knight Frank Valuers Limited, registered and independent valuers. Knight Frank Valuers 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 buildings, machinery and equipment in the various locations in Kenya. The fair value of buildings, machinery and equipment was determined using market value approach. The significant inputs included the estimated construction and purchase costs and other ancillary expenditures, and appropriate depreciation factors. A slight increase in the depreciation factor would result in a decrease in the fair value of the assets, and a slight increase in the estimated construction and purchase costs would result in an increase in the fair value of the assets, and vice versa.

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.

- i) 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.
- ii) 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.
- iii) Level 3 fair value measurements are those derived from valuation techniques that include inputs that are not based on observable market data (unobservable inputs).

Details of the company's buildings and machinery and equipment and information about fair value hierarchy as at 31 March 2022 are as follows:

	Level 1 Shs'000	Level 2 Shs '000	Level 3 Shs'000	Fair value as at 31 March Shs '000
31 March 2022				
Buildings	-	-	331,104	331,104
Machinery and equipment	-	-	215,661	215,661
	-----	-----	-----	-----
	-	-	546,765	546,765
	=====	=====	=====	=====

Notes (continued)

11 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Level 1 Shs'000	Level 2 Shs '000	Level 3 Shs'000	Fair value as at 31 March Shs '000
31 March 2021				
Buildings	-	-	389,485	389,485
Machinery and equipment	-	-	221,826	221,826
	<u>-</u>	<u>-</u>	<u>611,311</u>	<u>611,311</u>

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

The significant unobservable inputs used in the fair value measurements categorised in level 3 of the fair value hierarchy as at 31 March 2022 are as shown below.

Instrument	Level	Valuation basis	Significant unobservable Inputs	Sensitivity of input to the fair value
Property, plant and equipment	3	Market approach	Rate per sq.ft- 707.6	Increase/ (decrease) in rate per sq.ft by 5% would decrease/ (increase) fair value by Shs 23.4 million

	2022 Shs'000	2021 Shs'000
12 RIGHT-OF-USE ASSET		
COST		
At beginning and end of year	21,957	21,957
AMORTISATION		
At beginning of year	2,163	2,136
Charge for the year	432	27
At end of year	2,595	2,163
NET BOOK VALUE		
At end of year	19,362	19,794

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

Notes (continued)

13 INTANGIBLE ASSETS – COMPUTER SOFTWARE

	2022 Shs'000	2021 Shs'000
COST		
At start and end of year	5,241	5,241
Additions/disposal in the year	342	-
	5,583	5,241
	5,583	5,241
AMORTISATION		
At start of year	5,199	5,102
Charge for the year	92	97
At end of year	5,291	5,199
	5,291	5,199
NET BOOK VALUE		
At end of year	292	42
	292	42

14 UNQUOTED INVESTMENT

	2022 Shs'000	2021 Shs'000
503,930 shares of Shs 10 each in Kenya Tea Packers Limited	14,203	717

Kenya Tea Packers Limited (KETEPA) is the largest tea packaging company in Kenya.

The fair value of the investments is based on the net assets in the audited financial statements of KETEPA as at 30 June 2021.

Notes (continued)

15 BIOLOGICAL ASSETS

(a) Non – current assets

Year ended 31 March 2021

	Timber trees	Fuel trees	Total
	Shs'000	Shs'000	Shs'000
Carrying amount at start of year	117,486	98,128	215,614
Net expenditure during the year	608	3,735	4,343
	<u>118,094</u>	<u>101,863</u>	<u>219,957</u>
Gains arising from changes in fair value attributable to biological transformation	15,531	298	15,829
Decrease due to harvest for own use	(28,652)	(9,172)	(37,824)
Decrease due to sale	-	-	-
Carrying amount at end of year	<u>104,973</u>	<u>92,989</u>	<u>197,962</u>

Year ended 31 March 2022

Carrying amount at beginning of year	104,973	92,989	197,962
Net expenditure in the year	213	2,319	2,532
	<u>105,186</u>	<u>95,308</u>	<u>200,494</u>
Gains arising from changes in fair value attributable to biological transformation	45,906	18,392	64,298
Decrease due to harvest for own use	-	(6,518)	(6,518)
Decrease due to sale	-	-	-
Carrying amount at end of year	<u>151,092</u>	<u>107,182</u>	<u>258,274</u>

Notes (continued)

15 BIOLOGICAL ASSETS (Continued)

(b) Current assets

	2022 Sh 000	2021 Sh 000
Produce growing on tea bushes	<u>2,271</u>	<u>15,552</u>

(c) Significant assumptions

The fair value of biological assets is estimated using the market approach. The key significant assumptions made to determine the fair values of timber trees, fuel trees and produce growing on tea bushes are as set out below:

Timber and fuel trees assumptions

- Fuel (firewood) and timber selling prices are expected to remain relatively constant.
- A discount rate of 12% (2021: 12%) per annum is applied to discount the expected net cash flows arising from the asset.
- The maturity period of fuel (firewood) and timber trees is between 5 and 15 years depending on the species of the tree.
- Fuel (firewood) and timber costs to sell are expected to remain relatively constant.
- Timber trees that are not convertible for Timber sales are valued as firewood.

Produce growing on tea bushes

- The company's average tea harvest cycle is 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 company pays to its third party out-growers is a reasonable estimate of the price 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 produce growing on the tea bushes at the reporting date.

The fair value of biological assets is sensitive to these assumptions, the more significant of which are as follows:

- A 10% movement in the market price for trees would result in a Shs 25,991,376 (2021 – Shs 24,702,000) increase/decrease in the fair value of the timber and fuel trees.
- A 1 percentage point movement in the discount rate used in determining the expected net cash flows would result in a Shs 804,08 (2021 – Shs 6,828,000) increase//decrease in the fair value of the timber and fuel trees.

(d) Significant assumptions

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

		Level 1	Level 2	Level 3	Total
	Valuation technique	Shs'000	Shs'000	Shs'000	Shs'000
Year ended 31 March 2022					
Timber and fuel trees	Market approach	-	258,274	-	258,274
Produce growing on tea bushes	Market approach	-	2,271	-	2,271
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
			<u>260,545</u>	<u> </u>	<u>260,545</u>

Notes (continued)

15 BIOLOGICAL ASSETS (Continued)

(d) Significant assumptions (continued)

	Valuation technique	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Total Shs'000
Year ended 31 March 2021					
Timber and fuel trees	Market approach	-	-	197,962	197,962
Produce growing on tea bushes	Market approach	-	15,552	-	15,552
			<u>15,552</u>	<u>197,962</u>	<u>213,514</u>
Year ended 31 March 2020					
Timber and fuel trees	Market approach	-	-	215,614	215,614
Produce growing on tea bushes	Market approach	-	10,351	-	10,351
			<u>10,351</u>	<u>215,614</u>	<u>225,965</u>

Other qualitative and quantitative information

The total timber and fuel trees comprise of approximately 113 hectares (2021 – 119 hectares) of immature trees (less than 5 years old) and 302 hectares (2021 – 295 Hectares) of mature trees.

The company is exposed to risks arising from environmental and climatic changes, commodity prices and financing risks. The company's geographic spread of farms allows a high degree of mitigation against adverse climatic conditions such as droughts and floods and disease outbreaks. The company has strong environmental policies and procedures in place to comply with environmental and other laws. The company is exposed to risks arising from fluctuations in the price of Timber trees. Sales of Timber is widely advertised and done competitively to get the best possible sales price. Planting and upkeep of Timber and firewood trees require substantial capital in the first two years. The company actively manages the working capital requirements and has secured sufficient credit facilities to meet the cash flow requirements.

The following table summarises the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements:

Description	Fair value at		Unobservable input	Range of inputs (probability – weighted average)		Relationship of unobservable inputs to fair value
	31 March 2022 Shs'000	31 March 2021 Shs'000		2022	2021	
Biological assets	197,962	215,614	Discount rate	10%-14% (12%)	9%- 15% (13%)	The higher the discount rate the lower the fair value

Notes (continued)

16 INVENTORIES

	2022 Shs'000	2021 Shs'000
Tea stocks	143,657	151,690
Firewood	13,562	15,243
	<u>157,219</u>	<u>166,933</u>
Consumables	65,928	68,821
Less: provision for slow moving inventory	(21,816)	(15,182)
	<u>201,331</u>	<u>220,572</u>

The cost of inventories recognised as an expense during the year was Shs 650,422,209 (2021 – Shs 673,734,000). The cost of inventories recognised as an expense includes Shs 6,634,616 (2021 – Shs 5,499,000) in respect of provisions for slow moving inventory.

17 TRADE AND OTHER RECEIVABLES

	2022 Shs'000	2021 Shs'000
Trade receivables	63,033	110,407
VAT recoverable	22,210	50,025
Staff debtors	10,990	9,902
Prepayments and other receivables	24,564	7,951
Due from related parties (note 24)	1,661	871
	<u>122,458</u>	<u>179,156</u>
Provision for expected credit losses	-	(1,873)
	<u>122,458</u>	<u>177,283</u>
Movement in provision for expected credit losses		
At 1 April	1,873	3,102
Decrease in provision during the year	-	(1,229)
	<u>1,873</u>	<u>1,873</u>
At 31 March	<u>1,873</u>	<u>1,873</u>

The provision for expected credit losses relates to the other receivables. All trade receivables are with normal trading partners with no history of default. There has been no significant change in credit quality of these partners and the amounts are deemed fully recoverable. The fair values of the trade receivables approximate their carrying amounts largely due to the short-term repayment periods.

Notes (continued)

18 CASH AND BANK BALANCES

	2022 Shs'000	2021 Shs'000
Cash balances	66	6
Bank balances	57,146	150,945
	<u>57,212</u>	<u>150,951</u>
Total cash and bank balances	57,212	150,951
Short term bank deposits	525,103	307,210
	<u>582,315</u>	<u>458,161</u>

The short-term bank deposits mature within 90 days. The effective interest rate on the short-term deposits as at 31 March 2022 was 8.50% (2021: 8.25%) Per annum. The fair values of short-term deposits approximates their carrying amounts largely due to the short-term maturities of these instruments.

19 SHARE CAPITAL

	2022 Shs'000	2021 Shs'000
Authorised: 9,780,000 ordinary shares of Shs 5 each	48,900	48,900
Issued and fully paid: 7,824,000 ordinary shares of Shs 5 each	39,120	39,120

OTHER RESERVES

Other reserves are made up of the following reserves;

	Revaluation reserves Shs'000	Remeasurement reserves Shs'000	Total Shs'000
31 March 2022			
At start of year	374,936	-	374,936
Other comprehensive income	19,014	2,410	21,424
Deferred income tax	(5,704)	(723)	(6,427)
Transfer of excess depreciation	21,132	-	21,132
Deferred income tax on excess depreciation	(6,340)	-	(6,340)
	<u>403,038</u>	<u>1,687</u>	<u>404,725</u>
31 March 2021			
At start of year	255,729	-	255,729
Other comprehensive income	130,545	-	130,545
Transfer of excess depreciation	(16,197)	-	(16,197)
Deferred income tax on excess depreciation	4,859	-	4,859
	<u>374,936</u>	<u>-</u>	<u>374,936</u>

The revaluation surplus arises from revaluation of property, plant and equipment and is not distributable.

Notes (continued)

20 DEFERRED INCOME TAX

	2022 Shs'000	2021 Shs'000
Deferred income tax liabilities:		
Property, plant and equipment		
- At costs	130,385	100,003
- On revaluation surplus	119,109	160,687
Biological assets	65,212	64,054
Unrealised exchange gains	282	22
Investment properties & other equities revaluation gain	710	-
Deferred Tax on gratuity OCI	723	-
	<u>316,420</u>	<u>324,766</u>
Deferred tax assets:		
Post-employment benefits obligation	(27,970)	(42,230)
Other deductible differences	(9,566)	(13,798)
	<u>(37,535)</u>	<u>(56,028)</u>
Net deferred income tax liability	<u>278,885</u>	<u>268,738</u>

The movement on the deferred income tax account is as follows:

At start of year	268,738	201,638
Charge/ (credit) for the year	8,675	(36,484)
Prior year under provision	749	-
Impact of change in tax rate through profit or loss	-	(23,281)
Impact of change in tax rate through OCI	-	17,049
Deferred income tax on revaluation surplus	-	63,254
Deferred income tax on gratuity OCI	723	-
	<u>278,885</u>	<u>268,738</u>

21 POST-EMPLOYMENT BENEFITS OBLIGATION

At start of year	140,767	132,525
(Credit)/charge to profit or loss (note 6)	(27,728)	19,561
Payments made in the year	(14,983)	(11,319)
Re-measurements recognised through OCI	(2,410)	-
	<u>95,646</u>	<u>140,767</u>

The significant actuarial assumptions used were as follows:

The Company holds gratuity provisions for its unionisable employees in line with the requirements of IAS 19. The scheme is unfunded and hence no assets have been set aside to meet the benefits under the arrangement. The Company pays benefits from general revenues as and when they arise.

Notes (continued)

21 POST-EMPLOYMENT BENEFITS OBLIGATION (continued)

	2022	2021
Discount rate (%)	13.7	13.3
Future salary increases (% p.a)	10.0	10.0
Mortality (pre-retirement)	A1949-1952	A1949-1952
Mortality (post-retirement)	N/a	N/a
Retirement Age	Age 55	Age 55

A sensitivity analysis has been determined on the discount rate and the future salary increase assumptions based on reasonably possible changes of the assumption occurring at the end of the reporting period, while holding all other assumptions constant:

- If the discount rate is 1% higher (lower), the defined benefit obligation would decrease by Shs 5,612,000 (increase by Shs 6,214,000).
- If the expected rate of salary growth increases (decreases) by 1%, the defined benefit obligation would increase by Shs 6,361,000 (decrease by Shs 6,361,000).

For the above sensitivity analysis, the present value of the defined benefit obligation has been determined using the Projected Unit Credit Method at the end of the reporting period, which is the same as that applied in the statement of financial position.

22 TRADE AND OTHER PAYABLES

	2022 Shs'000	2021 Shs'000
Trade payables	18,570	13,621
Other payables and accrued expenses	56,524	105,103
Payable to outgrowers	22,479	30,697
Due to related parties (note 24)	20,134	32,876
	<u>117,707</u>	<u>182,297</u>

23 CASH GENERATED FROM OPERATIONS

Profit before taxation	303,013	34,114
Adjustments for:		
Depreciation of property and equipment (note 11)	98,192	102,808
Right of use assets amortisation (note 12)	432	97
Amortisation of intangible assets (note 13)	92	27
Loss on disposal of property, plant and equipment	21,900	13,193
Fair value adjustments - biological assets (note 15 (a))	(64,298)	(15,829)
Increase in fair value investment in other equities	(13,486)	-
Movement in unharvested greenleaf	13,281	(5,201)
Decrease due to own use - fire wood and fuel trees (note 15 (a))	6,518	37,824
Interest paid	34	143
Interest received	(31,220)	(13,599)
Net foreign exchange gains	(96)	(3,500)
Changes in working capital items:		
- inventories	19,241	40,921
- trade and other receivables	54,825	30,114
- trade and other payables	(64,590)	8,294
- dividend payable	2	-
- provision for service gratuity	(45,121)	8,242
Cash generated from operations	<u>298,719</u>	<u>237,648</u>

Notes (continued)

24 RELATED PARTY TRANSACTIONS

The company transacts with other companies related to it by virtue of common shareholding. During the year the following transactions were entered into with related parties:

Purchase of goods/services:

	2022 Shs'000	2021 Shs'000
Royalties and licences - George Williamson & Co Limited	51,703	54,956
Service and purchase of generator - Williamson Power Limited	-	1,734
Central costs recharges - Williamson Tea Kenya Plc	55,128	58,434
ATH spares and machines - Williamson Tea Kenya Plc	9,596	38,890
Tea purchases - Williamson Fine Tea Limited	-	8,520
	<u>1,661</u>	<u>871</u>

The outstanding balances with related parties were as follows:

Due from:

Kaimosi Tea Estates Limited	1,434	644
Williamson Power Limited	227	227
	<u>1,661</u>	<u>871</u>

Due to:

Williamson Tea Kenya Plc-Changoi	9,526	24,940
Tinderet Tea Estates (1989) Limited	140	360
Williamson Tea Kenya Plc-Head office	10,468	7,576
	<u>20,134</u>	<u>32,876</u>

Terms of the related party balances

The above related party balances arise from normal course of business and are interest free, unsecured and have no fixed repayment terms.

Compensation of directors and key management personnel

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

	2022 Shs'000	2021 Shs'000
Directors' emoluments		
Non -executive directors	12,450	12,086
Executive directors	378	306
	<u>12,828</u>	<u>12,392</u>
Key management remuneration		
Salaries and other benefits	<u>16,414</u>	<u>14,482</u>

Notes (continued)

24 RELATED PARTY TRANSACTIONS (continued)

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

	2022 Shs'000	2021 Shs'000
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25 CONTINGENT LIABILITIES

Bank guarantees - ABSA Bank of Kenya Plc	6,650	6,650
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The bank guarantees are issued by ABSA Bank of Kenya Plc in regard to Kenya Power and Electricity Company (KPLC).

26 CAPITAL COMMITMENTS

	2022 Shs'000	2021 Shs'000
Authorised and contracted for	51,914	37,002
Authorised but not contracted for	8,184	15,501
	<u>60,098</u>	<u>52,503</u>

The capital commitments relate to the company's capital budget for 2021. The company intends to finance these commitments from internally generated funds, asset financing from the bank and loans from related companies.

27 CAPITAL MANAGEMENT

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 company consists of cash and cash equivalents and equity attributable to equity holders, comprising issued capital, revaluation surplus and revenue reserves.

Consistent with others in the industry, the company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. The company did not have any debt outstanding as at 31 March 2022.

	2022 Shs'000	2021 Shs'000
Share capital	39,120	39,120
Revaluation surplus	403,038	374,936
Retained earnings	1,181,566	1,072,205
	<u>1,623,724</u>	<u>1,486,261</u>
Equity	1,623,724	1,486,261
	<u>582,315</u>	<u>458,161</u>
Cash and cash equivalents (Note 18)	582,315	458,161
	<u>N/A</u>	<u>N/A</u>
Gearing ratio	N/A	N/A

The company had no borrowing as at year end (2021: Shs nil).

Notes (continued)

28 FINANCIAL RISK MANAGEMENT

The company'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 company'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 directors. Finance department identifies, evaluates and hedges financial risks. The directors provide written principles for overall risk management, as well as written policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments and investing excess liquidity.

The company has exposure to the following risks due to its use of financial instruments:

- credit risk
- liquidity risk
- market risk

Credit risk

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

The company'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 Company has no realistic prospect of recovery	Amount is written off

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

Notes (continued)

28 FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

31 March 2022

	Note	Internal/ external rating	12 months or lifetime ECL	Gross carrying amount Shs'000	Loss allowance Shs'000	Net amount Shs'000
Trade and other receivables		Performing	Lifetime ECL (simplified approach)	89,470	(1,873)	87,597
Staff receivables	17	Performing	General measurement model	10,990	-	10,990
Due from related companies	17	Performing	General measurement model	1,661	-	1,661
Short term deposits	18	Performing	12 months ECL	525,103	-	525,103
Bank balances	18	Performing	12 months ECL	57,212	-	57,212
				684,436	(1,873)	682,563

31 March 2021

Trade and other receivables		Performing	Lifetime ECL (simplified approach)	118,358	(1,873)	116,485
Staff receivables	17	Performing	General measurement model	9,902	-	9,902
Due from related parties	17	Performing	General measurement model	871	-	871
Short term deposits	18	Performing	12 months ECL	307,210	-	307,210
Bank balances	18	Performing	12 months ECL	150,945	-	150,945
				587,286	(1,873)	585,413

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 as performing

Trade and other receivables – days past due							
31 March 2022	Not Due	< 30	31 – 60	61 - 90	91 - 120	> 120	Total
Gross carrying amount -Trade receivables (Shs)	59,942	351	263	2,440	-	37	63,033
Gross carrying amount -Other receivables (Shs)	24,564	-	-	-	-	1,873	26,437
Expected credit Loss allowance (Shs)	-	-	-	-	-	(1,873)	(1,873)
Net amount	84,506	351	263	2,440	-	37	87,597

Notes (continued)

28 FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

Bank balances (continued)

31 March 2021	Not Due	< 30	31 – 60	61 - 90	91 - 120	> 120	Total
Gross carrying amount - Trade receivables (Shs)	70,978	17,441	16,521	5,467	-	-	110,407
Gross carrying amount – Other receivables (Shs)	6,078	-	-	-	-	1,873	7,951
Expected credit Loss allowance (Shs)	-	-	-	-	-	(1,873)	(1,873)
Net amount	77,056	17,441	16,521	5,467	-	-	116,485

Staff receivables

The company has applied the general measurement model 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. The loss allowance as at 31 March 2022 (on adoption of IFRS 9) was determined as follows for staff receivables:

31 March 2022	Not Due	< 30	31 – 60	61 - 90	91 - 120	> 120	Total
Gross carrying amount - Staff receivables (Shs)	1,621	-	730	-	-	8639	10,990
Expected credit Loss allowance (Shs)	-	-	-	-	-	-	-
Net amount	1,621	-	730	-	-	8639	10,990

31 March 2021	Not Due	< 30	31 – 60	61 - 90	91 - 120	> 120	Total
Gross carrying amount - Staff receivables (Shs)	1,207	427	152	131	348	7,637	9,902
Expected credit Loss allowance (Shs)	-	-	-	-	-	-	-
Net amount	1,207	427	152	131	348	7,637	9,902

Expected credit loss as at 31 March 2022

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 2019 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 2022, the loss allowance on trade receivables would have been Shs 310,201 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.

Notes (continued)

28 FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the company's short, medium and long term funding and liquidity management requirements. The company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows to ensure it has sufficient cash to meet its operational needs.

The following table analyses the company'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 1 month Shs'000	1-3 months Shs'000	3-12 months Shs'000	1-5 years Shs'000	Total Shs'000
At 31 March 2022					
Trade payables	18,570	-	-	-	18,570
Due to a related company	20,134	-	-	-	20,134
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total financial liabilities	<u>38,704</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,704</u>
At 31 March 2021					
Trade payables	13,621	-	-	-	13,621
Due to a related company	32,876	-	-	-	32,876
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total financial liabilities	<u>46,497</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,497</u>

Market risk

Market Risk is the risk of loss arising from potential adverse changes in the value of the Company assets and liabilities due to fluctuations in market risk factors such as interest rate risk (IRR) and foreign exchange rates (FX risk).

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency. In order to manage the foreign exchange risk, the Company deal with the major currency that can withstand market pressures. Exchange rate exposures are also managed within approved policy parameters and hedging. The sensitivity analysis below shows the Company did not have material exposure to foreign exchange risk.

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

Notes (continued)

28 FINANCIAL RISK MANAGEMENT (Continued)

Market risk (continued)

(i) Foreign exchange risk (continued)

	USD Shs'000	GBP Shs'000	EURO Shs'000	Total Shs'000
2022				
Assets				
Bank and cash balances	52,301	467	-	52,768
Trade receivables	63,033	-	-	63,033
	<u>115,334</u>	<u>467</u>	<u>-</u>	<u>115,801</u>
2021				
Assets				
Bank and cash balances	93,034	9,403	-	102,437
Trade receivables	110,407	-	-	110,407
	<u>203,441</u>	<u>9,403</u>	<u>-</u>	<u>212,844</u>

Foreign exchange risk - appreciation/depreciation of Shs against other currencies by 1%.

The following sensitivity analysis shows how profit before tax and equity would change if the market risk variables had been different on the balance sheet date with all other variables held constant.

	2022 Shs'000	Effect on equity	2021 Shs'000	Effect on equity
	Effect on profit before tax		Effect on profit	
Currency - GB pounds				
+ 1 percentage point movement	5	4	94	66
-1 percentage point movement	(5)	(4)	(94)	(66)
	<u>5</u>	<u>4</u>	<u>94</u>	<u>66</u>
Currency - US dollars				
+ 1 percentage point movement	1,153	807	2,464	1,725
- 1 percentage point movement	(1,153)	(807)	(2,464)	(1,725)
	<u>1,153</u>	<u>807</u>	<u>2,464</u>	<u>1,725</u>

Notes (continued)

28 FINANCIAL RISK MANAGEMENT (Continued)

Market risk (continued)

(ii) 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 company closely monitors the interest rate trends to minimize the potential adverse impact of interest rate changes. The company's policy is to borrow in the same currency as the trading currency to minimise interest rate risk exposure.

The company did not have any loan balances for the period under review, therefore not susceptible to interest rate risk in this period.

Financial risks arising from involvement in agricultural activity

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

29 COVID CONSIDERATIONS

In March 2021, the World Health Organisation (WHO) officially declared COVID-19 as a pandemic. This health hazard has resulted in significant government measures and caused disruption to the financial markets and global economy. The Company have however been able to navigate through the pandemic. There was no significant impact of Covid 19 to the Company's performance in the current year.

30 EVENTS AFTER PERIOD END

We have assessed the impacts of the Russian invasion of Ukraine and other than the general impact on the global economy, no specific impacts of the invasion have been identified on the Company.

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