

WILLIAMSON TEA KENYA PLC

**ANNUAL REPORT AND
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED
31 MARCH 2023**

Williamson Tea Kenya Plc
Financial statements
For the year ended 31 March 2023

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Williamson Tea Kenya Plc
Notice of annual general meeting
For the year ended 31 March 2023

NOTICE IS HEREBY GIVEN that the 81st Annual General Meeting of the Shareholders will be held virtually on Thursday 24th August 2023 at 11.20 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 2023.
- 2) To approve dividend of Shs 30 per share in respect of the year ended 31st March 2023 payable on 4th September 2023, to shareholders on the Register of Members as at close of business on 23rd August 2023.
- 3) To re-elect Directors:
 - i) In accordance with Article 108 of the Company's Articles of Association, Mr. Edward Charles Magor retires by rotation and offers himself for re-election.
 - ii) In accordance with Article 108 of the Company's Articles of Association, Mr. Mathew Koech 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 Directors' remuneration.
- 6) To note that PricewaterhouseCoopers LLP continue in office and authorize Directors to agree to their remuneration.
- 7) To transact such other business as may be brought before the meeting.

BY ORDER OF THE BOARD



Gilbert K Masaki

SECRETARY

28th June 2023

Williamson Tea Kenya Plc
Corporate Information
For the year ended 31 March 2023

| | | |
|------------------------------------|--|---|
| DIRECTORS | E N K Wanjama A L Carmichael S N Thumbi P Magor J P Brooks E C Magor M Koech | - Chairman - Managing Director - Farm Director |
| BOARD COMMITTEES | | |
| Governance & Audit Committee | M Koech J P Brooks E C Magor | - Chairman |
| 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 | G K Masaki Certified Public Secretary (Kenya) P O Box 42281 - 00100 Nairobi | |
| REGISTERED OFFICE | The Acacia Block, 2nd Floor, Karen Office Park, Langata Road P O Box 42281 - 00100 Nairobi | |
| AUDITORS | PricewaterhouseCoopers LLP PwC Tower, Waiyaki Way P O Box 43963 - 00100 Nairobi | |
| BANKERS | Absa Bank Kenya Plc Absa Plaza Business Centre P O Box 30120 - 00100 Nairobi Standard Chartered Bank Kenya Limited Kenyatta Avenue Branch P O Box 40310 - 00100 Nairobi NCBA Bank Kenya Plc NCBA Centre P O Box 44599 - 00100 Nairobi | |
| LAWYERS | Kaplan & Stratton Williamson House, 9 th Floor 4 th Ngong Avenue P O Box 40111 - 00100 Nairobi Walker Kontos Hakika House Bishops Road P O Box 60680 - 00200 Nairobi | |

Williamson Tea Kenya Plc
Financial Highlights
For the year ended 31 March 2023

| | | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|----------|-----------|-----------|-----------|-----------|-----------|
| Tea Production | | | | | | |
| Area under tea - Hectare | | 2,131 | 2,131 | 2,130 | 2,130 | 2,129 |
| Made tea - own | '000 Kgs | 6,448 | 7,087 | 6,906 | 7,511 | 7,310 |
| - bought leaf | '000 Kgs | 8,731 | 9,592 | 10,003 | 8,101 | 7,598 |
| Total | '000 Kgs | 15,179 | 16,679 | 16,909 | 15,612 | 14,908 |
| Tea sold | '000 Kgs | 15,990 | 16,175 | 18,817 | 14,694 | 14,226 |
| Average gross price per Kg (Shs/Ct) | | 257/10 | 216/88 | 197/93 | 205/08 | 232/46 |
| Revenue from tea and timber sales (Shs'000) | | | | | | |
| | | 4,019,821 | 3,507,898 | 3,734,037 | 3,036,905 | 3,326,057 |
| Profit (Shs'000) | | | | | | |
| Profit/ (loss) before tax | | 842,275 | 578,258 | (67,269) | 116,994 | (212,415) |
| Income tax (expense)/credit | | (277,925) | (37,973) | (65,114) | 30,386 | 40,053 |
| Profit/(loss) for the year from continuing operations | | 564,350 | 540,285 | (132,383) | 147,380 | (172,362) |
| Loss from discontinued Operations | | (69) | (10,438) | (13,755) | (10,178) | - |
| Profit/(loss) for the year | | 564,281 | 529,847 | (146,138) | 137,202 | (172,362) |
| Attributable to: | | | | | | |
| Non - controlling interests | | 49,112 | 19,582 | (568) | 4,342 | (7,950) |
| Equity holders of the parent | | 515,169 | 510,265 | (145,570) | 132,860 | (164,412) |
| Profit/(loss) for the year | | 564,281 | 529,847 | (146,138) | 137,202 | (172,362) |
| Capital employed (Shs'000) | | | | | | |
| Assets (Shs'000) | | | | | | |
| Property, plant and equipment | | 3,800,628 | 3,981,350 | 4,188,302 | 3,865,560 | 3,672,274 |
| Right-of-use assets | | 77,378 | 83,081 | 86,530 | 95,033 | - |
| Investments and other long-term assets | | 1,165,811 | 1,108,136 | 989,884 | 1,042,628 | 1,092,177 |
| Biological assets | | 741,063 | 721,386 | 685,291 | 684,567 | 699,684 |
| Current assets | | 2,643,147 | 2,259,334 | 2,098,471 | 2,212,782 | 2,807,783 |
| Total assets | | 8,428,027 | 8,153,287 | 8,048,478 | 7,900,570 | 8,271,918 |
| Medium and short-term borrowings | | 195,754 | 204,040 | 208,072 | - | 37,380 |
| Long term lease liabilities | | 3,528 | 11,063 | 16,011 | 22,325 | - |
| Post-employment benefits obligation | | 158,892 | 168,283 | 297,218 | 300,178 | 291,157 |
| Other current liabilities | | 464,260 | 472,603 | 485,733 | 565,233 | 658,271 |
| Deferred income tax | | 1,068,928 | 982,667 | 1,081,548 | 876,659 | 967,735 |
| Total liabilities | | 1,891,362 | 1,838,656 | 2,088,582 | 1,764,395 | 1,954,543 |
| Net assets | | 6,536,665 | 6,314,631 | 5,959,896 | 6,136,175 | 6,317,375 |

Williamson Tea Kenya Plc
Financial Highlights
For the year ended 31 March 2023

| | | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|-------|-----------|-----------|-----------|-----------|-----------|
| Financed by (Shs'000) | | | | | | |
| Share capital | | 87,563 | 87,563 | 87,563 | 87,563 | 87,563 |
| Revaluation surplus | | 1,205,091 | 1,256,627 | 1,320,872 | 1,036,337 | 1,030,507 |
| Retained earnings | | 4,984,848 | 4,754,004 | 4,351,292 | 4,817,422 | 5,001,707 |
| <hr/> | | | | | | |
| Equity holders of parent company | | 6,277,502 | 6,098,194 | 5,759,727 | 5,941,322 | 6,119,777 |
| Non – controlling interest | | 259,163 | 216,437 | 200,169 | 194,853 | 197,598 |
| <hr/> | | | | | | |
| Shareholders' funds | | 6,536,665 | 6,314,631 | 5,959,896 | 6,136,175 | 6,317,375 |
| <hr/> | | | | | | |
| Earnings/ (Loss) per share | Shs | 29.42 | 29.14 | (8.31) | 7.59 | (9.39) |
| Proposed dividend per share (par value) | % | 600 | 200 | 200 | 400 | 400 |
| Proposed dividend per share | Shs | 30 | 20 | 10 | 20 | 20 |
| Proposed dividend cover | Times | 0.98 | 1.49 | (0.83) | 0.38 | (0.49) |
| Closing exchange rates | US \$ | 132.33 | 114.95 | 109.51 | 104.69 | 100.75 |
| | UK £ | 163.67 | 151.13 | 150.69 | 129.87 | 131.85 |
| <hr/> | | | | | | |

Results

The Group reported a profit for the year from continuing operations of Shs 564 million compared to a profit of Shs 530 million in 2022.

Production

The crop figures for the financial year are provided on page 4.

A mixed picture for own crop with normal rainfall to November but a very dry end to the financial year. Tinderet surpassed last year's crop and Kaimosi just about ahead. Changoi was well down against the previous year. For all farms, the volumes of small holder leaf declined. The lack of affordable fertilizer on account of the Russia invasion of Ukraine was largely the cause, and with less smallholder crop comes increased competition. Our commitment to only purchase good quality leaf allows less quality conscious competitors to benefit. A number of "start-up" factories have been built west of the rift with a limited selling model to local communities and retailers where quality is undefined. This market has a price ceiling and with 95% of Kenya's tea production exported, large scale producers must compete against other producers in open markets, be it the auction or private sales. We therefore remain steadfastly certain that only with good quality green leaf can we compete in the marketplace.

Cost of Production

The aforementioned Russian invasion of Ukraine has led to increase in inflation globally. Prices of all inputs have risen. The most efficient way of offsetting costs is to increase crop production and reduce fixed costs. This we are continuously trying to do in a very competitive market.

Globally there are signs that inflation is being slowly defeated and we hope too that the Kenya economy finds the right economic mix of tax increases, inevitable with a lack of finances and encouraging growth without all the inflationary pressures that can accompany it.

There are reasons to be concerned about the rule of law and the gradual erosion of it. Increased theft of green leaf and mindless vandalism and destruction of assets are on the rise. The rule of law and adherence to it is the backbone for a stable and strong society. Citizens cannot be allowed to pick and choose which law they will obey. I touch on this topic elsewhere.

Employing more security to protect assets and people adds considerably to our costs.

Power from KPLC remains erratic and we will need to fine tune our renewable solar energy investments at Changoi and Kaimosi over time to ensure full value is obtained. At Tinderet an increasing number of smallholder farmers wishing to sell their leaf to the factory means that an additional processing line will be installed during the next financial year.

The issues, problems and commercial interference with third party environmental and welfare audits from Rainforest Alliance (RFA) have continued throughout the year. These are industry issues and so far no satisfactory compromise has been reached, but it is clear, that annual escalation of costs and time spent in administration must be resolved if we are to continue with RFA. No business can be held to account by a third-party auditor when the rule has become unilateral implementation without proper consultation. The tea industry in Kenya is probably in the top three most regulated industries and RFA audits should be affirming already set standards not serving an ever increasing set of rules that cost more each year without any commercial benefit.

We have recently agreed to substantial increases to our per acre land rates in Nandi and Bomet and concluded 8% + 7% wage increases in the 2021/22 CBA negotiations.

Markets

The results before you are the consequence of hard work from the company's employees, my congratulations to them all.

Our target markets, as I explained last year are Pakistan and Egypt being 60% of Kenya's market. With purchasing size comes many good things but risk also and political and inflationary pressures in both countries have an impact on them obtaining US dollars, still the global currency and their ability therefore to pay for teas at times. This is a risk and whilst there is no tangible difference a company can make, we must weigh up these risks very carefully when deciding where to sell our teas.

On a positive note, we have continued to grow our farm brands in these critical markets and compete with more established competitors. We will continue to do this to the advantage of all shareholders, employees and communities. Both Pakistan and Egypt are well established tea destinations with a huge customer base interested and hungry for tea.

I have mentioned before (last year) that India, whilst having its own domestic production is an untapped destination for Kenyan tea due to protectionist tariffs currently at 100%. It is very important that decision makers in Kenya seek to unlock the potential of India through diplomacy and trade negotiations. The tea consumed in India is broadly similar to Kenyan tea and India has now overtaken China as the most populated country. China too is an untapped market and should be viewed as one of high export potential.

There is considerable debate surrounding value addition and indeed this is an avenue that we all would wish to aspire to. As a primary producer of tea, planting tea bushes and plucking green leaf before converting through manufacture to a consumable product 24 hours a day and our ability to engage in value addition is limited. Why? Actual value addition is defined in the media as medium to small packets of a product sold directly to consumers. This can only be achieved by competing with multiple national blenders, packers and retailers in origin countries, along with some global brands (Kenya tea is exported around the world). It is therefore unrealistic, and financially impossible for primary producers to establish multiple points of branding, convenience, blending, designs and unique selling points on a global basis.

Instead, value addition for a producer, is making the right quality of tea for different markets, increasing buyer demand for that tea through consistency, efficiency and communication and shipping the product to multiple points around the world thus at all times encouraging competition to hopefully sell at a higher price. Increasing demand for our tea is the only feasible aim to better profitability.

General Outlook

Last year as elections loomed, I reported as follows: *An election frequently brings with it change, however our hope is that stability in a very unstable world is achieved.*

Unfortunately, that much desired stability remains elusive on the political and commercial front.

Until it arrives, we cannot accurately forecast, there are too many surprises that require immediate or future attention.

We hope that our quality, consistency, integrity, efficiency and hard work results in a successful year.

Politics

It is perhaps important for a moment's reflection on not just "what" we are doing as a company but what we are doing within the context of rules, regulations and the law.

What is a listed public company? The shareholders of a publicly traded company have claim to its assets and profits through ownership via shares. The shares are freely traded on a stock exchange (NSE).

The level of regulatory and reporting controls is enormous (all round the world) and inevitably increases from time to time. When profits are made taxes are paid, it matters not where the origin of shareholders may be, it is the registration and location of the company and in our case the listing on the NSE that decides who benefits – thus Kenya benefits.

Williamson Tea Kenya Plc
Chairman's statement
For the year ended 31 March 2023

Shares in public listed companies are purchased by investors who have confidence in those companies (the readers of this statement) that the law and other rules will be adhered to and their investment will be responsibly looked after in a way to provide some income.

Why mention what you are aware of already? First of all, to lay to rest the perception that your company is a multinational. It is not, it is all of the above; and then to alert and reinforce to members that in spite of demonstrating due diligence and accountability there are many other narratives gaining "airtime" recently in various forms of the media. When divisive stories start to be printed for partisan reasons all the good and positive contributions of your company can be undone by opinion and opinion ignores the facts.

Our contributions include: 60% to 70% of the leaf processed in our factories comes from local communities, smallholder farmers, our partners in a willing buyer willing seller contract. Across all large-scale producers this amounts to Shs 5 billion in payments. Over \$470 million in foreign exchange is generated and contributed to the national government by large scale tea producers. Local procurement through Kericho and Bomet counties is Shs 2 billion. CSR in the form of health, soft loans, education, potable water and much more supports the local communities. The company paid over 101 million and 6 million in corporate taxes and other related rates and licenses respectively. and over I could go on, but make no mistake that the amount of time, energy and money spent ensuring the rule of law and that the safety of your company is maintained is now significant.

Dividends

In view of the results, the Directors are recommending a final dividend payment of Shs 30 per share (2022: Shs 20 per share from the reserves).

Corporate Social Responsibility

The Group continues to embrace social enhancing ethics, food safety standards and sustainable agricultural practices. The Group is still certified by ISO 22000:2005, FSSC 22000, Rainforest Alliance.

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. During the year the company spent over 7 million in CSR related activities.

Health and Education

The Group continues to provide extensive medical services to its employees, with 4 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 Group continues to support the running and development of various sponsored primary and secondary schools in Kericho and Nandi counties. We continue to operate several crèches, 5 primary schools and 1 secondary school together with bursary schemes for gifted students proceeding to secondary education. Over 9 million was spent during the year on matters health and education by the company.

Welfare

The number of permanent and seasonal employees exceeded 1,000 with over 3,000 of their dependents also benefiting from the social and welfare amenities provided.

During the year, the Group spent over Shs 85 million on employees' pension, gratuities, leave and medical expenses over and above employees' direct wages. In addition, the company incurred in excess of Sh 1 million on capital projects relating to employee welfare. Additionally, over 37 million was spent on employee welfare.

Williamson Tea Kenya Plc
Chairman's statement
For the year ended 31 March 2023

In addition to CSR, Health and Welfare contributions I would guide readers to the Financial Statements and the Company's tax payments adding considerably to the national cause.

Appreciation

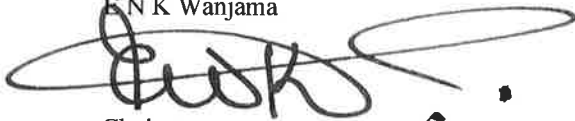
I would like to thank all our management staff led by Managing Director, Alan Carmichael and Technical Director Samuel Thumbi.

During the year, Ishmael Sang earned a very well-deserved retirement at 65 and becoming the oldest General Manager to do so. Our grateful thanks to him for his years of loyal service. Edmon Asugo has taken over at Changoi and our best wishes go to him. Charles Agui remains at Tinderet and Sospeter Angira at Kaimosi.

My thanks also to our Chief Financial Officer, Angus Nyariki, for his significant contribution and to head office staff in Nairobi.

And lastly to my fellow Directors for the valuable contribution and advice.

E N K Wanjama



Chairman

28th June 2023

Williamson Tea Kenya Plc
Statement of Corporate Governance
For the year ended 31 March 2023

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

The Group continues to consider recommendations of the “Code” and implement them where appropriate.

BOARD OF DIRECTORS

The Board consists of seven directors, five of whom are non-executive Directors including the Chairman. Among the non-executive directors are three independent Directors. All the non-executive Directors are subject to retirement by rotation and must seek re-election by shareholders at least once every three years in accordance with the Company’s Articles of Association.

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

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

The Board is responsible for formulating policies and strategies and ensuring that the business objectives aimed at promoting and protecting the shareholders’ value while taking into account the interest of other stakeholders, are achieved. The Board ensures that procedures and practices are set in place to ensure effective control over strategic, financial, operational and compliance issues. The Board meets to review annual budget and half-year and annual accounts and to monitor operational performance. The Directors are given appropriate and timely information to enable them to maintain full and effective control. Except for direction and guidance on general policy, the Board has delegated authority for conduct of the day-to-day business to the Managing Director assisted by a team of able managerial staff.

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

The Company Secretary is always available to the Board of Directors and is a member of both the Institute of Certified Public Accountants of Kenya (ICPAK) and Institute of Certified Public Secretaries of Kenya (ICS). The Group Chief Financial Officer is also a member of the Institute of Certified Public Accountants of Kenya (ICPAK) and the Institute of Certified Public Secretaries of Kenya (ICS).

BOARD REMUNERATION

Non-executive Directors are paid an annual fee together with a sitting allowance for every meeting attended. The aggregate amount of emoluments paid to Directors for services rendered during the financial year are disclosed in note 7 to the financial statements.

DIRECTORS’ SHAREHOLDING

None of the Directors as at end of the year 31 March 2023 held shares in their individual capacity that were more than 2% of the Company’s total equity (2022: None). The Directors’ interest in the shares of the Company as at 31st March 2023 is summarized below:

| Name | Number of Shares | |
|---------------|-------------------------|-------------|
| | 2023 | 2022 |
| E N K Wanjama | 200 | 200 |
| | ===== | ===== |

COMMITTEES OF THE BOARD

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

GOVERNANCE AND AUDIT COMMITTEE

The Governance and Audit committee was constituted by the Board in 1998 and comprises three non-executive Directors and professionals. The committee meets at least four times in the year.

The responsibilities of the committee include:

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

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

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

STAFF AND REMUNERATION COMMITTEE

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

INTERNAL CONTROLS

The Board is responsible for the Group's and the Company's system of internal controls and for reviewing their effectiveness. The Group and 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 Group and the Company comply with all Kenyan laws and regulations, including those that govern sound financial management. Procedures are in place to ensure that all assets are subject to proper physical controls and these are professionally re-valued every three years.

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

COMMUNICATION WITH SHAREHOLDERS

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

SHAREHOLDING PROFILES

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

PRINCIPAL SHAREHOLDERS

As at 31 March 2023 the top 10 major shareholders were as follows;

| | Name | Location | No of shares | % |
|-----|---|-----------------|---------------------|----------|
| 1. | Ngong Tea Holdings Limited | London | 9,012,328 | 51.46 |
| 2. | Baloobhai Chhotabhai Patel&Amarjeet B Patel | Nairobi | 758,505 | 4.33 |
| 3. | Upstream Investments Limited | Nairobi | 649,346 | 3.71 |
| 4. | CTC Global Investment Limited | Mauritius | 615,900 | 3.52 |
| 5. | Garot International Limited | Nairobi | 475,300 | 2.71 |
| 6. | Lalitaben Kanaiyalal Shah | Nairobi | 313,266 | 1.79 |
| 7. | Standard Chartered Nominées A/c 000954 | Nairobi | 204,700 | 1.17 |
| 8. | Standard Chartered Nominees A/c 9280 | Nairobi | 167,200 | 0.99 |
| 9. | Mohammed Aslam Alimohamed Adam | Nairobi | 103,912 | 0.59 |
| 10. | Thutuma Limited | Nairobi | 103,500 | 0.59 |

Analysis of shareholders

By region:

| | Number | Shares held | % |
|--|---------------|--------------------|---------------|
| Foreign shareholders | 88 | 10,576,706 | 60.40 |
| Local & East Africa shareholders (Individual) | 1,724 | 5,014,597 | 28.63 |
| Local & East Africa shareholders (Institutional) | 93 | 1,921,337 | 10.97 |
| | <u>1,905</u> | <u>17,512,640</u> | <u>100.00</u> |

By shares distribution:

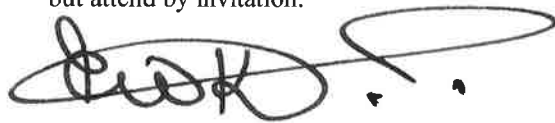
| | | | |
|-------------------|--------------|-------------------|---------------|
| Less than 501 | 849 | 154,613 | 0.88 |
| 501-10,000 | 950 | 2,093,685 | 11.96 |
| 10,001- 100,000 | 94 | 2,760,245 | 15.76 |
| 100,001-1,000,000 | 11 | 3,491,769 | 19.94 |
| Above 1,000,000 | 1 | 9,012,328 | 51.46 |
| | <u>1,905</u> | <u>17,512,640</u> | <u>100.00</u> |

2022/2023 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 | 4/4 | |
| JP Brooks | Non-executive | | Membership | √ | √ | |
| | | | Attendance | 4/4 | 4/4 | |
| P Magor | Non-executive | | Membership | √ | | √ |
| | | | Attendance | 4/4 | | 1/1 |
| E Magor | Non-executive | | Membership | √ | √ | |
| | | | Attendance | 4/4 | 4/4 | |
| 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; and
- The Managing Director and Chief Financial Officer are not members of the Governance and Audit Committee but attend by invitation.



E N K Wanjama
Chairman

28th June 2023



Mathew Koech
Director

28th June 2023

Williamson Tea Kenya Plc
Directors' Remuneration Report
For the year ended 31 March 2023

The Directors remuneration report sets out the remuneration arrangements for the Directors of Williamson Tea Kenya Plc for the year ended 31 March 2023.

REMUNERATION POLICY FOR EXECUTIVE AND NON-EXECUTIVE DIRECTORS

The Group and the Company seeks to provide remuneration packages that will attract, retain and motivate the right people with the necessary experience and ability to oversee the business. The remuneration package includes salaries, allowances, pension and other non-cash benefits for the executive Directors. The value of benefits provided 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 DIRECTORS' REMUNERATION

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

The auditable part of the Directors' Remuneration Report

Directors' remuneration
Non-Executive Directors

| Name | 2023 | | | 2022 | | |
|---------------|-----------------|---|------------------|-----------------|---|------------------|
| | Fees Shs'000 | Sitting & other allowances Shs'000 | Total Shs'000 | Fees Shs'000 | Sitting & other allowances Shs'000 | Total Shs'000 |
| Phillip Magor | 4,382 | 144 | 4,526 | 4,499 | 144 | 4,643 |
| Edward Magor | 4,382 | 259 | 4,641 | 4,499 | 201 | 4,700 |
| Mathew Koech | 720 | 259 | 979 | 720 | 278 | 998 |
| ENK Wanjama | 1,080 | 173 | 1,253 | 1,080 | 144 | 1,224 |
| JP Brooks | 720 | 259 | 979 | 720 | 202 | 922 |
| Total | 11,284 | 1,094 | 12,378 | 11,518 | 969 | 12,487 |

Executive Directors

| Name | 2023 | | | | 2022 | | | |
|-----------------|-------------------------------------|--------------------|---------------------------------|------------------|-------------------------------------|--------------------|---------------------------------|------------------|
| | Salaries & allowances Shs'000 | Pension Shs'000 | Non-cash benefits Shs'000 | Total Shs'000 | Salaries & allowances Shs'000 | Pension Shs'000 | Non-cash benefits Shs'000 | Total Shs'000 |
| Alan Carmichael | 33,068 | 7,296 | 7,053 | 47,417 | 29,997 | 7,564 | 6,522 | 44,083 |
| Samuel Thumbi | 21,072 | 4 | 2,818 | 23,894 | 19,115 | 2 | 3,085 | 22,202 |
| Total | 54,140 | 7,300 | 9,871 | 71,311 | 49,112 | 7,566 | 9,607 | 66,285 |

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

**Williamson Tea Kenya Plc
Directors' Remuneration Report
For the year ended 31 March 2023**

APPROVAL OF THE DIRECTORS' REMUNERATION REPORT

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

BY ORDER OF THE BOARD



**E N K Wanjama
Chairman**

28th June 2023

Williamson Tea Kenya Plc
Report of the Directors
For the year ended 31 March 2023

The Directors present their report together with the audited financial statements of Williamson Tea Kenya Plc (the “Company”) and its subsidiaries (together the “Group”) for the year ended 31 March 2023 which show the state of financial affairs of the Group and the Company.

ACTIVITIES

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

GROUP RESULTS

| | 2023 | 2022 |
|-----------------------------------|----------------|----------------|
| | Shs’000 | Shs’000 |
| Profit before income tax | 842,275 | 578,258 |
| Income tax expense | (277,925) | (37,973) |
| | <u>564,350</u> | <u>540,285</u> |
| Profit for the year | 564,350 | 540,285 |
| Loss from discontinued operations | (69) | (10,438) |
| | <u>564,281</u> | <u>529,847</u> |
| Attributable to: | | |
| Owners of the company | 515,169 | 510,265 |
| Non-controlling interests | 49,112 | 19,582 |
| | <u>564,281</u> | <u>529,847</u> |
| Profit for the year | <u>564,281</u> | <u>529,847</u> |

DIVIDENDS

The Directors recommend that a first and final dividend of Shs 30 per share (2022 – Shs 20 per share) equivalent to a total sum of Shs 525,379,200 for the year ended 31 March 2023 (2022 – Shs 350,252,800) be paid to the shareholders. The dividend is subject to approval by the shareholders at the next Annual General Meeting.

DIRECTORS

The current Board of Directors is shown on page 3.

BUSINESS REVIEW

Performance

The Group crop production decreased by 11% from 16.7 million kilos to 15.1 million kilos of made tea. The volumes of tea sold also decreased from 16.2 million kilos sold last year to 16.0 million kilos sold this year, an equivalent of 1%. The turnover on the other hand increased by 17% to Shs 4.1 billion compared to Shs 3.5 billion reported last year. However, the average tea prices increased from Shs 216 per kilo of made tea last year to Shs 257 per kilo of made tea realised this year. The Group recorded a total profit from continuing operations of Shs 564 million compared to Shs 540 million in the previous year.

Principal risks & uncertainties

The Directors constantly review whether the policies and risk management programs in place are appropriate and effective to manage and minimize the exposure in the long term.

BUSINESS REVIEW (Continued)

Principal risks & uncertainties (Continued)

The risks that the Group is exposed to include:

- Agricultural risk, which mainly entails climatic changes ranging from drought, floods and other adverse weather conditions that have a significant impact on the crop production. The Group has put in place sound agricultural practices to mitigate this agricultural risk.
- Financial risks which span across the markets and the financial aspects of the Group. These include the market risks, price risk, credit risk, currency risk, foreign exchange fluctuations exposure, liquidity risk, interest rate risk and other regulatory and taxation risks, both national and local, that affect the market and financial sector operations that could have a ripple effect on the Group.
- Operational risks mainly include both internal and external factors that affect the Group processes, personnel, technology and infrastructure. The legal and regulatory requirements plus other generally acceptable standards of corporate behavior can have a significant impact on the operations of the company. Demands from the labor unions have giving rise to increased labor costs, land tenure issues that affect the investment decisions of the Group, various internal and external political risks, and different levels of governance structures that affect the state of the infrastructure among others affect the operations of the Group.
- Environmental and social sustainability risks, which require development of policies and practices, that promote co-existence of the Group with both internal and external stakeholders. The Group continues to be actively and seriously involved in Corporate Social Responsibilities with the local communities and preserve the environment as a critical aspect of sustainability and growth.

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

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

DIRECTORS' STATEMENT AS TO INFORMATION GIVEN TO AUDITORS

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

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

TERMS OF APPOINTMENT OF THE AUDITORS

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

BY ORDER OF THE BOARD



G K Masaki
Secretary

28th June 2023



Williamson Tea Kenya Plc
Statement of Directors' Responsibilities
For the year ended 31 March 2022

The 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 Group and of Company as at the end of the financial year and of their profit or loss for that year. It also requires the Directors to ensure that the Group and Company maintain proper accounting records that are sufficient to show and explain the transactions of the Group and of Company and disclose, with reasonable accuracy, their financial position. The Directors are also responsible for safeguarding the assets of the Group and 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 Companies Act. They also accept responsibility for:

- (i) designing, implementing and maintaining such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error;
- (ii) selecting suitable accounting policies and applying them consistently; and
- (iii) making accounting estimates and judgments that are reasonable in the circumstances.

Having assessed the Group's and 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 Group's and 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 28th June 2023 and signed on its behalf by:



E N K Wanjama
Chairman



Mathew Koech
Director



**Report of the independent auditor to the Shareholders of Williamson Tea Kenya Plc
Report on the audit of the financial statements**

Our Opinion

We have audited the accompanying financial statements of Williamson Tea Kenya Plc (the Company) and its subsidiaries (together, the Group) set out on pages 24 to 97, which comprise the consolidated statement of financial position at 31 March 2023 and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, together with the Company statement of financial position at 31 March 2023, and the Company statements of profit or loss and other comprehensive income, changes in equity, and cash flows for the year then ended, and the notes, which include significant accounting policies and other explanatory information.

In our opinion the accompanying financial statements give a true and fair view of the financial position of the Group and the Company at 31 March 2023 and of their 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 financial statements of the current year. These matters were addressed in the context of our audit of the 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
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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 B Ngunjiri R Njoroge S O Norbert's B Okundi K Saiti



Report of the independent auditor to the Shareholders of Williamson 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 19 of the financial statements, the Group and the Company have significant biological assets consisting of unharvested green leaf and tree plantations for fuel and timber sales. The biological assets are carried at fair value less estimated costs to sell.</p> <p>The Group and company use external independent forestry valuation experts to determine the fair value timber plantations, and an internally developed valuation model in determination of the value of fuel plantations. The fair valuation is determined by estimating 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 Group and company apply 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, 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 Group and 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>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 to the underlying financial information on a sample basis.</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 Notice of the Annual General Meeting, Corporate Information, Financial Highlights, Chairman's Statement, Statement of Corporate Governance, Directors' Remuneration Report, Report of the Directors 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.



Report of the independent auditor to the Shareholders of Williamson Tea Kenya Plc (continued)

Other information (Continued)

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.

Responsibilities of the 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 Companies Act, 2015, and for such internal control as the 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 Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's 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 Group to cease to continue as a going concern.

Report of the independent auditor to the Shareholders of Williamson Tea Kenya Plc (continued)

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

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

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

We also provide the directors with a statement that we have complied with 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 Group'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 to 18 is consistent with the financial statements.

Directors' remuneration report

In our opinion the auditable part of the directors' remuneration report on pages 14 and 15 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

28th June 2023

Consolidated statement of profit or loss
For the year ended 31 March

| | Notes | 2023 Shs'000 | 2022 Shs'000 |
|--|-------|------------------|------------------|
| Continuing operations | | | |
| Revenue | 5 | 4,019,821 | 3,507,898 |
| Gains/(losses) from changes in fair value of biological assets | | | |
| - Timber trees | 19 | (36,286) | 51,920 |
| - Fuel trees | 19 | 135,521 | 63,701 |
| - Unharvested green leaf | 19 | 10,658 | (10,198) |
| Operating income | | 4,129,714 | 3,613,321 |
| Cost of sales | | (3,173,730) | (2,795,170) |
| Gross profit | | 955,984 | 818,151 |
| Other income | 5 | 10,858 | 42,291 |
| Distribution costs | | (185,836) | (183,520) |
| Administrative expenses | | (224,072) | (205,934) |
| Operating profit | | 556,934 | 470,988 |
| Interest income | 6 | 70,655 | 30,033 |
| Finance income/(cost) | 6 | 90,266 | (7,428) |
| | | 717,855 | 493,593 |
| Share of after tax profit of associate accounted for using the equity method | 16 | 124,420 | 84,665 |
| Profit before income tax | | 842,275 | 578,258 |
| Income tax expense | 9 | (277,925) | (37,973) |
| Profit from continuing operations | | 564,350 | 540,285 |
| Loss from discontinued operations | 39 | (69) | (10,438) |
| Profit for the year | | 564,281 | 529,847 |
| Profit for the year comprising: | | | |
| <i>Attributable to:</i> | | | |
| Owners of the Company | | 515,169 | 510,265 |
| Non – controlling interests | 24 | 49,112 | 19,582 |
| | | 564,281 | 529,847 |
| Earnings per share – basic and diluted (Shs per share) | 10 | 29.42 | 29.14 |

Consolidated statement of comprehensive income
For the year ended 31 March

| | Notes | 2023 Shs' 000 | 2022 Shs' 000 |
|--|-------|------------------|------------------|
| Profit for the year | | 564,281 | 529,847 |
| Other comprehensive income, net of tax: | | | |
| <i>Items that will not be reclassified subsequently to profit or loss</i> | | | |
| Share of other comprehensive income of associate accounted for using the equity method | 16 | 2,183 | 667 |
| Re-measurement of post-employment benefits obligation | 26 | 18,442 | 4,958 |
| Deferred income tax thereon | | <u>(5,532)</u> | <u>(1,487)</u> |
| Total other comprehensive income for the year | | <u>15,093</u> | <u>4,138</u> |
| Total comprehensive income for the year | | <u>579,374</u> | <u>533,985</u> |
| Total comprehensive income for the year comprising: | | | |
| <i>Attributable to:</i> | | | |
| Owners of the company | | 529,561 | 514,174 |
| Non - controlling interests | 24 | 49,813 | 19,811 |
| | | <u>579,374</u> | <u>533,985</u> |

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

| | Notes | 2023 Shs' 000 | 2022 Shs' 000 |
|---|-------|------------------|------------------|
| Revenue | 5 | 1,262,276 | 1,257,252 |
| Gains /(losses) from changes in fair value of biological assets | | | |
| - Timber trees | 19 | (9,723) | 8,610 |
| - Fuel trees | 19 | 37,477 | 18,768 |
| - Unharvested green leaf | 19 | 4,552 | (3,712) |
| Operating income | | 1,294,582 | 1,280,918 |
| Cost of sales | | (1,074,564) | (981,870) |
| Gross profit | | 220,018 | 299,048 |
| Other income | 5 | 10,381 | 24,680 |
| Dividend income | | 84,012 | 58,037 |
| Distribution costs | | (61,090) | (66,105) |
| Administrative expenses | | (96,513) | (103,864) |
| Operating profit | | 156,808 | 211,796 |
| Interest income | 6 | 25,264 | 13,093 |
| Finance income | 6 | 31,754 | 3,481 |
| Profit before income tax | | 213,826 | 228,370 |
| Income tax (expense)/credit | 9 | (86,553) | 34,896 |
| Profit for the year | | 127,273 | 263,266 |
| Other comprehensive income, net of tax: | | | |
| <i>Items that will not be reclassified subsequently to profit or loss</i> | | | |
| Re-measurement of post-employment benefits obligation | 26 | 6,977 | 1,889 |
| Deferred income tax thereon | | (2,093) | (567) |
| | | 4,884 | 1,322 |
| Total other comprehensive income for the year | | 132,157 | 264,588 |

Williamson Tea Kenya Plc
Financial Statements
For the year ended 31 March 2023

Consolidated statement of financial position
At 31 March

| | Notes | 2023 Shs'000 | 2022 Shs'000 |
|--|-------|-------------------------|-------------------------|
| ASSETS | | | |
| Non- current assets | | | |
| Property, plant, and equipment | 12 | 3,800,628 | 3,981,350 |
| Intangible assets | 13 | 1,480 | 1,102 |
| Right-of-use assets | 14 | 77,378 | 83,081 |
| Investment properties | 15 | 398,100 | 398,100 |
| Investments accounted for using the equity method | 16 | 737,998 | 642,346 |
| Financial assets at fair value through profit or loss | 18 | 28,233 | 28,166 |
| Biological assets | 19 | 741,063 | 721,386 |
| | | <u>5,784,880</u> | <u>5,855,531</u> |
| Current assets | | | |
| Biological assets | 19 | 27,088 | 16,430 |
| Inventories | 20 | 650,109 | 641,128 |
| Trade and other receivables | 21 | 440,657 | 421,281 |
| Current income tax | 9 | 16,274 | 111,665 |
| Cash and bank balances | 22 | 1,475,148 | 1,068,830 |
| | | <u>2,609,276</u> | <u>2,259,334</u> |
| Assets classified as held for sale | 39 | 33,871 | 38,422 |
| | | <u>2,643,147</u> | <u>2,297,756</u> |
| Total assets | | <u>8,428,027</u> | <u>8,153,287</u> |
| EQUITY AND LIABILITIES | | | |
| Capital and reserves | | | |
| Share capital | 23 | 87,563 | 87,563 |
| Other reserves | 23 | 1,205,091 | 1,260,536 |
| Retained earnings | | 4,984,848 | 4,750,095 |
| Capital and reserves attributable to owners of the company | | <u>6,277,502</u> | <u>6,098,194</u> |
| Non – controlling interests | 24 | 259,163 | 216,437 |
| Shareholders' funds | | <u>6,536,665</u> | <u>6,314,631</u> |

Williamson Tea Kenya Plc
Financial Statements
For the year ended 31 March 2023

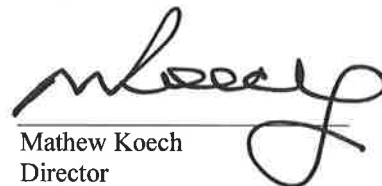
Consolidated statement of financial position (continued)
At 31 March

| | Notes | 2023 Shs'000 | 2022 Shs'000 |
|---|-------|------------------|------------------|
| Non- current liabilities | | | |
| Deferred income tax | 25 | 1,068,928 | 982,667 |
| Post-employment benefits obligation | 26 | 158,892 | 168,283 |
| Borrowings | 27 | 147,010 | 169,649 |
| Lease liabilities | 33 | 3,528 | 11,063 |
| | | <u>1,378,358</u> | <u>1,331,662</u> |
| Current liabilities | | | |
| Borrowings | 27 | 48,744 | 34,391 |
| Trade and other payables | 28 | 387,257 | 393,652 |
| Dividends payable | 29 | 73,680 | 70,440 |
| Lease liabilities | 33 | 3,323 | 3,879 |
| | | <u>513,004</u> | <u>502,362</u> |
| Liabilities directly associated with assets classified as held for sale | 39 | - | 4,632 |
| | | <u>513,004</u> | <u>506,994</u> |
| Total equity and liabilities | | <u>8,428,027</u> | <u>8,153,287</u> |

The financial statements on pages 24 to 97 were approved and authorised for issue by the Board of Directors on 28th June 2023 and were signed on its behalf by:



E N K Wanjama
Chairman



Mathew Koech
Director

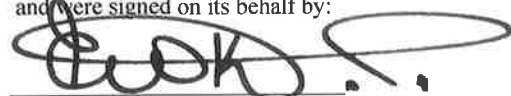
Williamson Tea Kenya Plc
Financial Statements
For the year ended 31 March 2023

Company statement of financial position
At 31 March

| | Notes | 2023 Shs'000 | 2022 Shs'000 |
|---|-------|------------------|------------------|
| ASSETS | | | |
| Non- current assets | | | |
| Property, plant and equipment | 12 | 1,724,124 | 1,788,701 |
| Intangible assets | 13 | 887 | 636 |
| Right-of-use assets | 14 | 12,875 | 18,235 |
| Investment properties | 15 | 398,100 | 398,100 |
| Investments accounted for using the equity method | 16 | 49,504 | 49,504 |
| Investment in subsidiaries | 17 | 106,188 | 106,188 |
| Equity investments | 18 | 11,401 | 11,374 |
| Biological assets | 19 | 230,186 | 242,548 |
| | | <u>2,533,265</u> | <u>2,615,286</u> |
| Current assets | | | |
| Biological assets | 19 | 14,422 | 9,872 |
| Inventories | 20 | 267,248 | 251,752 |
| Trade and other receivables | 21 | 226,851 | 207,892 |
| Current income tax | 9 | 23,953 | 76,507 |
| Cash and bank balances | 22 | 362,314 | 472,712 |
| | | <u>894,788</u> | <u>1,018,735</u> |
| Total assets | | <u>3,428,053</u> | <u>3,634,021</u> |
| EQUITY AND LIABILITIES | | | |
| Capital and reserves | | | |
| Share capital | 23 | 87,563 | 87,563 |
| Other reserves | 23 | 627,009 | 649,279 |
| Retained earnings | | 1,962,099 | 2,157,925 |
| | | <u>2,676,671</u> | <u>2,894,767</u> |
| Shareholders' funds | | | |
| Non- current liabilities | | | |
| Deferred income tax | 25 | 425,692 | 405,177 |
| Post-employment benefits obligation | 26 | 57,073 | 61,577 |
| Lease liabilities | 33 | - | 6,080 |
| | | <u>482,765</u> | <u>472,834</u> |
| Current liabilities | | | |
| Trade and other payables | 28 | 193,069 | 193,442 |
| Dividends payable | 29 | 73,680 | 70,440 |
| Lease liabilities | 33 | 1,868 | 2,538 |
| | | <u>268,617</u> | <u>266,420</u> |
| Total equity and liabilities | | <u>3,428,053</u> | <u>3,634,021</u> |

The financial statements on pages 24 to 97 were approved and authorised for issue by the Board of Directors on

28th June 2023
and were signed on its behalf by:



E N K Wanjama
Chairman



Mathew Koech
Director

Williamson Tea Kenya Plc
Financial Statements
For the year ended 31 March 2023

Consolidated statement of changes in equity

| | Note | Share capital Shs'000 | Other reserves Shs'000 | Retained earnings Shs'000 | Equity attributable to owners of the company Shs'000 | Non – controlling interests Shs'000 | Total Shs'000 |
|--|------|--------------------------|---------------------------|------------------------------|---|--|------------------|
| Year ended 31 March 2022 | | | | | | | |
| At start of year | | 87,563 | 1,320,872 | 4,351,292 | 5,759,727 | 200,169 | 5,959,896 |
| Profit for the year | | - | - | 510,265 | 510,265 | 19,582 | 529,847 |
| Other comprehensive income | | - | 3,909 | - | 3,909 | 229 | 4,138 |
| Transfer of excess depreciation | | - | (87,680) | 87,680 | - | - | - |
| Deferred income tax on excess depreciation | | - | 23,435 | (24,016) | (581) | - | (581) |
| Transaction with owners: | | | | | | | |
| - Dividend paid | 29 | - | - | (175,126) | (175,126) | (3,543) | (178,669) |
| At end of year | | 87,563 | 1,260,536 | 4,750,095 | 6,098,194 | 216,437 | 6,314,631 |
| Year ended 31 March 2023 | | | | | | | |
| At start of year | | 87,563 | 1,260,536 | 4,750,095 | 6,098,194 | 216,437 | 6,314,631 |
| Profit for the year | | - | - | 515,169 | 515,169 | 49,112 | 564,281 |
| Other comprehensive income | | - | 14,392 | - | 14,392 | 701 | 15,093 |
| Transfer of excess depreciation | | - | (97,385) | 97,385 | - | - | - |
| Deferred income tax on excess depreciation | | - | 27,548 | (27,548) | - | - | - |
| Transaction with owners: | | | | | | | |
| - Dividend paid | 29 | - | - | (350,253) | (350,253) | (7,087) | (357,340) |
| At end of year | | 87,563 | 1,205,091 | 4,984,848 | 6,277,502 | 259,163 | 6,536,665 |

Williamson Tea Kenya Plc
Financial Statements
For the year ended 31 March 2023

Company statement of changes in equity

| | Note | Share capital Shs'000 | Other reserves Shs'000 | Retained earnings Shs'000 | Total Shs'000 |
|--|------|--------------------------|---------------------------|------------------------------|------------------|
| Year ended 31 March 2022 | | | | | |
| At start of year | | 87,563 | 685,460 | 2,032,282 | 2,805,305 |
| Profit for the year | | - | - | 263,266 | 263,266 |
| Other comprehensive income | | - | 1,322 | - | 1,322 |
| Transfer of excess depreciation | | - | (46,510) | 46,510 | - |
| Deferred income tax on excess depreciation | | - | 13,953 | (13,953) | - |
| Transfer on disposal | | - | (3,805) | 3,805 | - |
| Deferred income tax on disposal | | - | (1,141) | 1,141 | - |
| Transaction with owners: | | | | | |
| Dividend paid | 29 | - | - | (175,126) | (175,126) |
| At end of year | | 87,563 | 649,279 | 2,157,925 | 2,894,767 |
| Year ended 31 March 2023 | | | | | |
| At start of year | | 87,563 | 649,279 | 2,157,925 | 2,894,767 |
| Profit for the year | | - | - | 127,273 | 127,273 |
| Other comprehensive income | | - | 4,884 | - | 4,884 |
| Transfer of excess depreciation | | - | (38,670) | 38,670 | - |
| Deferred income tax on excess depreciation | | - | 11,602 | (11,602) | - |
| Transfer on disposal | | - | (123) | 123 | - |
| Deferred income tax on disposal | | - | 37 | (37) | - |
| Transaction with owners: | | | | | |
| Dividend paid | 29 | - | - | (350,253) | (350,253) |
| At end of year | | 87,563 | 627,009 | 1,962,099 | 2,676,671 |

Consolidated statement of cash flows
For the year ended 31 March

| | Note | 2023 Shs'000 | 2022 Shs'000 |
|---|------|------------------|------------------|
| Cash flows from operating activities | | | |
| Cash generated from operations | 30 | 1,017,091 | 688,078 |
| Interest received | 6 | 70,655 | 30,033 |
| Interest paid on borrowings | 6 | (11,234) | (10,468) |
| Income tax paid | 9 | (101,454) | (11,016) |
| | | <hr/> | <hr/> |
| Net cash flows from operating activities | | 975,058 | 696,627 |
| | | <hr/> | <hr/> |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | 12 | (243,346) | (225,720) |
| Purchase of intangible assets | 13 | (1,207) | (893) |
| Proceeds from disposal of property, plant and equipment | | 3,011 | 17,912 |
| Additions to biological assets | 19 | (7,003) | (5,635) |
| Dividend received from associate | | 31,407 | 31,734 |
| | | <hr/> | <hr/> |
| Net cash flows from investing activities | | (217,138) | (182,602) |
| | | <hr/> | <hr/> |
| Cash flows from financing activities | | | |
| Repayment of lease liabilities | 33 | (8,875) | (8,735) |
| Repayment of borrowings | 27 | (40,121) | (34,620) |
| Proceeds from borrowings | 27 | 2,056 | 22,532 |
| Dividends paid to shareholders | 29 | (347,013) | (165,175) |
| Dividends paid to minority interest | 24 | (7,087) | (3,543) |
| | | <hr/> | <hr/> |
| Net cash flows from financing activities | | (401,040) | (189,541) |
| | | <hr/> | <hr/> |
| Increase in Cash and Cash equivalents | | 356,880 | 324,484 |
| Cash and cash equivalents at start of year | | 1,068,830 | 756,255 |
| Effects of exchange rate changes on cash and cash equivalents | | 22,838 | 3,508 |
| Cash and cash equivalents reclassified as held for sale | | 26,600 | (15,417) |
| | | <hr/> | <hr/> |
| Cash and cash equivalents at end of year | 22 | <u>1,475,148</u> | <u>1,068,830</u> |

Williamson Tea Kenya Plc
Financial Statements
For the year ended 31 March 2023

Company statement of cash flows
For the year ended 31 March

| | Note | 2023 Shs'000 | 2022 Shs'000 |
|---|------|-------------------|-------------------|
| Cash flows from operating activities | | | |
| Cash generated from operations | 30 | 235,878 | 301,150 |
| Interest received | 6 | 25,264 | 13,093 |
| Interest paid on overdrafts | 6 | (155) | (123) |
| Income tax paid | 9 | (15,224) | (9,049) |
| | | <u> </u> | <u> </u> |
| Net cash flows from operating activities | | 245,763 | 305,071 |
| | | <u> </u> | <u> </u> |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | 12 | (129,862) | (82,600) |
| Purchase of intangible assets | 13 | (691) | (488) |
| Proceeds from disposal of property, plant and equipment | | 24,382 | 7,044 |
| Additions to biological assets | 19 | (2,707) | (1,526) |
| Dividend received - from subsidiaries and associate | | 84,012 | 58,037 |
| | | <u> </u> | <u> </u> |
| Net cash flows from investing activities | | (24,866) | (19,533) |
| | | <u> </u> | <u> </u> |
| Cash flows from financing activities | | | |
| Repayment of lease liabilities | 33 | (7,120) | (6,980) |
| Dividends paid to shareholders | 29 | (347,013) | (165,175) |
| | | <u> </u> | <u> </u> |
| Net cash flows from financing activities | | <u>(354,133)</u> | <u>(172,155)</u> |
| | | <u> </u> | <u> </u> |
| Decrease in cash and cash equivalents | | (133,236) | 113,383 |
| Cash and cash equivalents at start of year | | 472,712 | 357,715 |
| Effects of exchange rate changes on cash and cash equivalents | | 22,838 | 1,614 |
| | | <u> </u> | <u> </u> |
| Cash and cash equivalents at end of year | 22 | <u>362,314</u> | <u>472,712</u> |
| | | <u> </u> | <u> </u> |

Notes (continued)

1 REPORTING ENTITY

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

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

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

2 ACCOUNTING POLICIES

A. Statement of compliance

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

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

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

(i) *Relevant new standards new standards and amendments effective for the year ended 31 March 2023*

Annual improvements cycle 2018 -2020

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

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.

There was no material impact on the adoption of the standards to the financial statements of the Group and Company.

Notes (continued)

2 ACCOUNTING POLICIES (Continued)

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

- (i) *Relevant new standards and amendments to published standards effective for the year ended 31 March 2023 (continued)*

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.

There was no material impact on the adoption of the standard to the financial statements of the Group and Company.

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 recognised in profit or loss.

There was no material impact on the adoption of the standard to the financial statements of the Group and Company.

Amendment to IFRS 3, 'Business combinations' Asset or liability in a business combination clarity

The Board has updated IFRS 3, 'Business combinations', to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination.

In addition, the Board added a new exception in IFRS 3 for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets', or IFRIC 21, 'Levies', rather than the 2018 Conceptual Framework.

The Board has also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date..

There was no material impact on the adoption of the standard to the financial statements of the Group and Company.

Notes (continued)

2 ACCOUNTING POLICIES (Continued)

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

(ii) *New and revised IFRS standards issued but not yet effective for the period ended 31 March 2023*

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 2023.

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 Group and 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 Group and Company.

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.

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

(iii) *Early adoption of standards*

The Group and Company did not early adopt any new or amended standards in the period ended 31 March 2023.

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

Basis of preparation

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

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

Notes (continued)

2 ACCOUNTING POLICIES (Continued)

Basis of preparation (continued)

A. Subsidiaries

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

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

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

The excess of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiaries acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries, details of which are disclosed in note 17 to the financial statements and also includes the Group's share of the results of the associate company as disclosed in note 16 to the financial statements, all made up to 31 March.

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

- Changes in ownership interests in subsidiaries without change of control

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

Notes (continued)

2 ACCOUNTING POLICIES (Continued)

Basis of preparation (continued)

- Disposal of subsidiaries

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

B. Investments in associate companies

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

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

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

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

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with IAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate.

Notes (continued)

2 ACCOUNTING POLICIES (Continued)

B. Investments in associate companies (Continued)

In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate. When a Group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group' consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

C. 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 Group's activities. Revenue is shown net of value-added tax (VAT), rebates and discounts.

Revenue is recognized when the Group 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.

Revenue is recognised as follows:

- (a) Sales of 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 Group's standard contract terms, customers do not have a right to return goods due to the nature of the agricultural produce.

D. Inventories

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

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

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

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

Notes (continued)

2 ACCOUNTING POLICIES (Continued)

E. Biological assets

Biological assets (unharvested green leaf, fuel plantations and timber plantations) have been stated at their fair value less estimated point-of-sale costs. Any gains or losses arising on initial recognition of biological assets and from subsequent changes in fair value less costs to sell are recognised through profit or loss in the year in which they arise. The tea bushes are bearer plants and are therefore presented and accounted for as property, plant and equipment (see note 12). However, the produce growing on these trees is accounted for as biological assets until the point of harvest. Harvested produce is transferred to inventory at fair value less costs to sell when harvested.

The un-harvested green leaf on tea bushes at the reporting date are measured at fair value less costs to sell using IAS 41- Agriculture. The fair values of fuel and timber plantations are determined based on the prices existing in the market.

The cost of replanting, infilling and upkeep is recognised as an expense in the profit or loss. The gain or loss in valuation of biological assets and agricultural produce is dealt with in the profit or loss.

F. Property, plant and equipment

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

Buildings, Plant and Machinery – depreciation replacement cost.

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

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to rise from the continued use of the asset. The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

G. 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.

Notes (continued)

2 ACCOUNTING POLICIES (Continued)

H. Depreciation

No depreciation is provided on freehold land. Capital work in progress is not depreciated until the asset is brought into use. Other items of property, plant and equipment are depreciated on a straight-line basis to write off the cost or valuation over their estimated useful lives. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual rates generally in use are as follows:

| | |
|--|------------------|
| Buildings | 5% |
| Dams | 2.5% |
| Machinery and equipment | 10% |
| Tractors and accessories | 10-25% |
| Motor vehicles | 25% |
| Office equipment, furniture and fittings | 10% |
| Computers | 25% |
| Bearer plants | 2% (50 years) |
| Solar Plant | 5.26% (19 years) |

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

Depreciation on revalued building and other property is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings. Each year, the difference between depreciation based on the revalued carrying amount of an asset (the depreciation charged to the profit or loss) and depreciation based on the asset's original cost is transferred from the revaluation surplus to revenue reserves, net of related deferred taxation.

I. Intangible assets-computer software costs

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

J. Right of use asset - land

Payments to acquire interest in land are treated as right of use asset and amortised over the period of the contract.

K. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise. An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

Notes (continued)

2 ACCOUNTING POLICIES (Continued)

L. Income tax

Income tax expense represents the sum of the tax currently payable and deferred income tax. Income tax is recognised in the profit and loss account except when it relates to items recognised in other comprehensive income, in which case it is also recognised in other comprehensive income, or to items recognised directly in equity, in which case it is also recognised directly in equity.

(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 Group's and the Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

(ii) Deferred income tax

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

The carrying amount of deferred income 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 income 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 income tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group and the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

M. Post-employment benefits obligation

(i) Group's defined contribution retirement benefit scheme

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

(ii) Statutory defined contribution pension scheme

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

Notes (continued)

2 ACCOUNTING POLICIES (Continued)

M. Employee benefits costs (Continued)

(iii) Other employee entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave or compensated absences accrued at the end of the reporting period.

The Group's unionisable staff who resign or whose services are terminated either due to illness or other reasons after completion of ten years of continuous and meritorious service are entitled to twenty two day's pay for each completed year of service by way of gratuity, based on the wages or salary at the time of such resignation or termination of services, as provided for in the trade union agreement. An employee who is dismissed or terminated for gross misconduct is not entitled to gratuity. The service gratuity is provided for in the financial statements at present value of benefits payable as it accrues to each employee.

N. Impairment of tangible and intangible assets

At the end of each reporting period, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss unless it relates to a revalued asset.

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

Notes (continued)

2 ACCOUNTING POLICIES (Continued)

(a) The Group as lessee

The Group assesses whether a contract is or contains a right of use asset or/and lease at inception of the contract. The Group 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 assets. For these leases, the Group 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 the 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 Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprises of fixed lease payments (including the substance fixed payments), less any lease incentives.

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 Group re-measures 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 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 the initial discount rate (unless the lease payments change is due to a change in floating interest rate, in which case a revised discount rate is used); and
- 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 by discounting the revised lease payments using a revised discount rate.

The Group did not make any such adjustments during the periods presented.

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

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 Group 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 Group 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 of 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 statement of the profit or loss.

Notes (continued)

2 ACCOUNTING POLICIES (Continued)

(b) The Group as lessor

The Group enters into lease agreements as a lessor with respect to some of its investment properties. Leases for which the Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease. Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases. When a contract includes both lease and non-lease components, the Group applies IFRS 15 to allocate the consideration under the contract to each component.

O. Foreign currencies

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

P. 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 Group 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 group's business model for managing them. The Group 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.

Notes (continued)

2 ACCOUNTING POLICIES (Continued)

P. Financial instruments (Continued)

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 Group'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.

- 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 Group 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 Group 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 Group'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 Group 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 Group applies judgement and considers relevant factors such as the period for which the interest is set.

Notes (continued)

2 ACCOUNTING POLICIES (Continued)

P. Financial instruments (Continued)

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

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 Group's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group 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 Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group 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 Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group 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 Group 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 Group could be required to repay.

Derecognition due to substantial modification of terms and conditions

The Group 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 Group 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 Group records a modification gain or loss.

Notes (continued)

2 ACCOUNTING POLICIES (Continued)

P. Financial instruments (Continued)

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 Group and the Company will not be able to collect all amounts due (principal and interest) according to the contractual terms of loans, receivables, or held-to-maturity investments carried at amortised cost, an impairment or bad debt loss has occurred. The carrying amount of the asset is reduced to its estimated recoverable amount either directly or through use of an allowance account. The amount of the loss incurred is dealt with through profit or loss for the year. If a loss on a financial asset carried at fair value (recoverable amount is below original acquisition cost) has been recognised in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative net loss that had been recognised in other comprehensive income is removed and recognised in the profit or loss for the period even though the financial asset has not been derecognised. Reversal of an impairment loss is recognised in the profit or loss unless it relates to a revalued asset.

Q. Dividends payable

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

R. Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (Executive Directors). The Directors then allocate resources to and assess the performance of the operating segments of the Group. The operating segments are based on the Group's internal reporting structure. In accordance with IFRS 8, the Group has the following operating segments; cultivation, sale and manufacture of tea, investment in property and the sale and servicing of generators.

Segment assets and liabilities comprise those operating assets and liabilities that are directly attributable to the segment or can be allocated to the segment on a reasonable basis. Capital expenditure represents the total cost incurred during the year to acquire segment assets that are expected to be used during more than one period (property, plant and equipment).

S. Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year. The following comparative figures and presentations have been made:

- Net foreign exchange gains and losses have been included within the finance income/ cost;
- Due from related parties has been included within trade and other receivables
- Due to related parties has been included within trade and other payables

Notes (continued)

3 CRITICAL JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Impairment

At the end of each reporting period, the Group and the Company review the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of the asset's fair value less costs to sale and its value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group and the Company estimate the recoverable amount of the cash generating unit to which the asset belongs. Any impairment losses are recognised immediately. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount. A reversal of an impairment loss other than that arising from goodwill, is recognised as income immediately.

Revaluation of assets

Some of the Group and Company's assets are stated as professionally valued every three years. The board of directors of the company determine 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 12.

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

Notes (continued)

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

(ii) Key sources of estimation uncertainty

Biological assets (timber and fuel trees)

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 cashflows. 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.

Property, plant and equipment and intangible assets

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

Lease discount rate

The discount rate used in the calculation of the lease liability involves estimation. Discount rates are calculated on a lease-by-lease basis. For property leases that make up substantially all of the Group's lease portfolio, the discount rate is the estimated property yield over a similar lease term assessed at commencement date. Otherwise for any other lease, the rate used is the incremental borrowing rate.

4 OPERATING SEGMENTS

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

In accordance with IFRS 8, Operating segments, information reported to the Group's Chief Operating Decision Makers (Executive Directors) for the purposes of resource allocation and assessment of segment performance is focused on the principal activities and the products offered by the Group. The identifiable reporting segments of the Group are:

- Tea: The cultivation, manufacture, and sale of tea.
- Property: Investment in property.
- Generator trading: Sale and servicing of generators. This segment was discontinued in the year 2021.

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

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies in note 2.

Notes (continued)

4 OPERATING SEGMENTS (Continued)

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

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

| | Tea Shs'000 | Property Shs'000 | Generator trading Shs'000 | Group Shs'000 |
|--|----------------|---------------------|---------------------------------|------------------|
| 2023 | | | | |
| From continuing operations | | | | |
| Revenues and results | | | | |
| Revenue | 4,018,046 | 1,775 | - | 4,019,821 |
| Other income | 10,858 | - | - | 10,858 |
| Interest income | 70,655 | - | - | 70,655 |
| Finance costs | 90,267 | - | - | 90,267 |
| Group's share of associate company results after tax | 124,420 | - | - | 124,420 |
| Profit before income tax including associates | 841,031 | 1,244 | - | 842,275 |
| Income tax expense | (201,775) | (373) | - | (202,148) |
| Assets and liabilities | | | | |
| Segment assets | 8,216,476 | 177,680 | - | 8,394,156 |
| Segment liabilities | 1,875,798 | 15,564 | - | 1,891,362 |
| Investment in associate | - | - | - | - |
| Other information | | | | |
| Depreciation | 384,057 | - | - | 384,057 |
| Amortisation of right of use assets | 1,465 | - | - | 1,465 |
| Amortisation of intangible assets | 829 | - | - | 829 |
| Capital expenditure | 243,899 | - | - | 243,899 |
| From discontinued operations | | | | |
| Revenues and results | | | | |
| Revenue | - | - | - | - |
| Other income | - | - | 1,048 | 1,048 |
| Interest income | - | - | 796 | 796 |
| Loss after taxation | - | - | (69) | (69) |
| Assets and liabilities | | | | |
| Segment assets | - | - | 33,871 | 33,871 |
| Segment liabilities | - | - | - | - |

Notes (continued)

4 OPERATING SEGMENTS (Continued)

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

| 2022 | Tea | Property | Generator trading | Group |
|--|-----------|----------|-------------------|-----------|
| | Shs'000 | Shs'000 | Shs'000 | Shs'000 |
| From continuing operations | | | | |
| Revenues and results | | | | |
| Revenue | 3,506,123 | 1,775 | - | 3,507,898 |
| Other income | 42,291 | - | - | 14,513 |
| Interest income | 30,033 | - | - | 30,033 |
| Finance costs | (7,428) | - | - | (7,428) |
| Group's share of associate company results after tax | 84,665 | - | - | 84,665 |
| Loss before taxation (including associate) | 577,255 | 1,004 | - | 578,259 |
| Income tax (expense)/income | (124,281) | (301) | - | (124,582) |
| Assets and liabilities | | | | |
| Segment assets | 7,955,101 | 177,187 | - | 8,132,288 |
| Segment liabilities | 1,845,810 | 5,635 | - | 1,851,445 |
| Investment in associate | 737,998 | - | - | 737,998 |
| Other information | | | | |
| Depreciation | 403,752 | - | - | 403,752 |
| Amortisation of right of use | 1,465 | - | - | 1,465 |
| Amortisation of intangible assets | 580 | - | - | 580 |
| Capital expenditure | 225,720 | - | - | 225,720 |
| From discontinued operations | | | | |
| Revenues and results | | | | |
| Revenue | - | - | 4,236 | 4,236 |
| Other income | - | - | (5,399) | (5,399) |
| Interest income | - | - | 1,221 | 1,221 |
| Loss after taxation | - | - | (10,438) | (10,438) |
| Assets and liabilities | | | | |
| Segment assets | - | - | 38,422 | 38,422 |
| Segment liabilities | - | - | 4,632 | 4,632 |

Revenue reported above represents revenue generated from external customers. Included in the revenue generated from the tea segment are sales of trees amounting to Shs 9,000 (2022: Shs 9,830,000).

d) Information on major customers

In both years, no single customer contributed 10% or more to the Group's revenue.

e) Geographical information

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

| | Group | | Company | |
|--|------------------|------------------|------------------|------------------|
| | 2023 Shs'000 | 2022 Shs'000 | 2023 Shs'000 | 2022 Shs'000 |
| Direct export sales | 1,906,661 | 1,590,375 | 671,347 | 583,911 |
| Local sales at the Mombasa Tea Auction | 2,113,160 | 1,917,523 | 590,930 | 673,341 |
| | <u>4,019,821</u> | <u>3,507,898</u> | <u>1,262,277</u> | <u>1,257,252</u> |

Notes (continued)

5 a) REVENUE

| | Group | | Company | |
|--|-----------|-----------|-----------|-----------|
| | 2023 | 2022 | 2023 | 2022 |
| | Shs'000 | Shs'000 | Shs'000 | Shs'000 |
| The Group's and Company's revenue is derived from point-in-time sale of: | | | | |
| Tea | 4,019,821 | 3,507,898 | 1,262,276 | 1,257,252 |

b) OTHER INCOME/ (COSTS)

| | | | | |
|---|---------------|---------------|---------------|---------------|
| Fair value loss on investment properties (note 15) | - | (1,681) | - | (1,681) |
| Rental income | 4,445 | 4,622 | 3,874 | 4,150 |
| Stores sales to third parties | 6,589 | 1,547 | 6,474 | 759 |
| Loss on scrap | (2,645) | (3,685) | (3,310) | - |
| Sale of timber | 9 | 9,830 | 9 | 8,844 |
| Dividend income | 666 | 1,150 | - | - |
| Others miscellaneous income | 1,139 | 3,667 | 3,307 | 1,757 |
| Gain on financial assets at fair value through profit or loss | 655 | 26,841 | 27 | 10,851 |
| | <u>10,858</u> | <u>42,291</u> | <u>10,381</u> | <u>24,680</u> |

6 FINANCE INCOME/(COSTS)

| | | | | |
|--------------------------------------|-----------------|-----------------|---------------|----------------|
| Finance costs: | | | | |
| Interest expense on: | | | | |
| - bank overdrafts | (159) | (123) | (155) | (123) |
| - bank loans | (11,075) | (10,345) | - | - |
| -leases liabilities | (784) | (1,419) | (370) | (900) |
| | <u>(12,018)</u> | <u>(11,887)</u> | <u>(525)</u> | <u>(1,023)</u> |
| Net foreign exchange gains | 101,835 | 3,676 | 32,279 | 4,504 |
| Dividend income | 449 | 783 | - | - |
| | <u>90,266</u> | <u>(7,428)</u> | <u>31,754</u> | <u>3,481</u> |
| Interest on short term bank deposits | <u>70,655</u> | <u>30,033</u> | <u>25,264</u> | <u>13,093</u> |

Notes (continued)

7 PROFIT/(LOSS) BEFORE TAX

| | Group | | Company | |
|---|-----------------|-----------------|-----------------|-----------------|
| | 2023 Shs'000 | 2022 Shs'000 | 2023 Shs'000 | 2022 Shs'000 |
| The profit before income tax is arrived at after charging/(crediting): | | | | |
| Depreciation of property and equipment (note 12) | 384,057 | 403,750 | 167,824 | 190,829 |
| Amortization of intangible assets (note 13) | 829 | 580 | 440 | 272 |
| Amortization of right of use assets (note 14) | 5,703 | 3,448 | 5,360 | 4,992 |
| Staff costs (note 8) | 515,365 | 567,514 | 196,689 | 221,688 |
| Directors' remuneration: | | | | |
| Executive | | | | |
| - Salaries and allowances | 54,140 | 49,112 | 54,140 | 49,112 |
| - Other benefits | 9,871 | 9,607 | 9,871 | 9,607 |
| - Pension | 7,300 | 7,566 | 7,300 | 7,566 |
| Non – executive | | | | |
| - Fees | 11,518 | 11,518 | 11,284 | 11,518 |
| - Other emoluments | 1,094 | 969 | 1,094 | 969 |
| Loss on disposal of property, plant, and equipment | 33,617 | 22,614 | 7,250 | 9,477 |
| Auditors' remuneration | 11,210 | 12,842 | 5,715 | 4,140 |
| Operating lease rental income | (3,390) | (3,650) | (3,390) | (3,650) |
| Dividend income | (449) | (783) | (84,012) | (58,037) |
| Fair value loss on investment properties (note 15) | - | (1,681) | - | (1,681) |
| | <u>515,365</u> | <u>567,514</u> | <u>196,689</u> | <u>221,688</u> |

8 STAFF COSTS

| | | | | |
|---|----------------|----------------|----------------|----------------|
| Wages and salaries | 434,039 | 488,007 | 162,397 | 192,593 |
| Social security costs (NSSF) | 4,339 | 3,222 | 1,563 | 1,318 |
| Pension costs (defined contribution plan) | 6,785 | 6,463 | 1,855 | 1,392 |
| Post-employment benefits obligation (Note 26) | 30,504 | 35,515 | 12,555 | 14,014 |
| Leave pay provision | 25,645 | 22,491 | 9,022 | 7,588 |
| Medical costs | 14,053 | 11,816 | 9,297 | 4,783 |
| | <u>515,365</u> | <u>567,514</u> | <u>196,689</u> | <u>221,688</u> |

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

| | | | | |
|-------------------------------|--------------|--------------|------------|------------|
| Management and administration | 17 | 17 | 6 | 6 |
| Factory | 319 | 369 | 126 | 133 |
| Field | 697 | 719 | 244 | 267 |
| | <u>1,033</u> | <u>1,105</u> | <u>376</u> | <u>406</u> |

Notes (continued)

9 INCOME TAX

| | Group | | Company | |
|--|-----------------|------------------|-----------------|------------------|
| | 2023 Shs'000 | 2022 Shs'000 | 2023 Shs'000 | 2022 Shs'000 |
| a) Current income tax | | | | |
| Current income tax based on taxable profit for the year at 30% (2022: 30%) | 202,148 | 124,582 | 68,012 | 65,937 |
| Residential rent final tax charge at 10% | 352 | 352 | 352 | 352 |
| (Over)/under provision in prior years | (5,303) | 14,698 | (234) | 13,319 |
| | <u>197,197</u> | <u>139,632</u> | <u>68,130</u> | <u>79,608</u> |
| Deferred income tax: | | | | |
| Charge/ (credit) for the year | 75,534 | 26,572 | 18,423 | (9,951) |
| - Under/(over) provision in prior years | 5,194 | (128,231) | - | (104,553) |
| | <u>80,728</u> | <u>(101,659)</u> | <u>18,423</u> | <u>(114,504)</u> |
| Income tax expense/(credit) | <u>277,925</u> | <u>37,973</u> | <u>86,553</u> | <u>(34,896)</u> |
| b) Reconciliation of expected income tax based on accounting profit/(loss) to tax charge/(credit) | | | | |
| Accounting profit before tax | <u>842,275</u> | <u>578,258</u> | <u>213,826</u> | <u>228,370</u> |
| Tax at the applicable rate of 30% (2022:30%) | 252,683 | 173,477 | 64,148 | 68,511 |
| Elimination of tax on share of profit from associate | (37,326) | (25,399) | - | - |
| Residential rent final tax charge at 10% | 352 | 352 | 352 | 352 |
| Tax effect of income not taxable: | | | | |
| - Qualifying dividends | - | - | (25,203) | (17,177) |
| - Rental income | (1,017) | (1,095) | (1,017) | (1,095) |
| - Others | 1,613 | 1,373 | - | - |
| Pension/provident fund contribution | 4,851 | 4,662 | 4,160 | 3,953 |
| Donations | 1,839 | 1,233 | 1,201 | 613 |
| Tax effect of expenses not deductible for tax purposes | 3,267 | (2,509) | 3,358 | 1,959 |
| (Over)/under provision of current tax in prior years | (5,303) | 14,698 | (234) | 13,319 |
| Under/ (over) provision of deferred income tax in prior years | 5,194 | (128,231) | - | (104,554) |
| Effect of deferred income tax liability arising in change in tax rates on capital gains at 15% | 51,772 | - | 39,788 | - |
| Adjustment in respect of tax rates - OCI | - | (588) | - | (777) |
| Income tax charge /(credit) | <u>277,925</u> | <u>37,973</u> | <u>86,553</u> | <u>(34,896)</u> |

Notes (continued)

9 INCOME TAX (continued)

| | Group | | Company | |
|--|-----------------|------------------|-----------------|-----------------|
| | 2023 | 2022 | 2023 | 2022 |
| | Shs'000 | Shs'000 | Shs'000 | Shs'000 |
| c) Current income tax recoverable | | | | |
| At start of year | (111,665) | (239,929) | (76,507) | (146,714) |
| Charge to profit or loss | 202,148 | 124,582 | 68,012 | 65,937 |
| (Under) /over provision in prior years | (5,303) | 14,698 | (234) | 13,319 |
| Income tax paid in the year | (101,454) | (11,016) | (15,224) | (9,049) |
| At end of year | <u>(16,274)</u> | <u>(111,665)</u> | <u>(23,953)</u> | <u>(76,507)</u> |

10 EARNINGS PER SHARE

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

| | 2023 | 2022 |
|---|----------------|----------------|
| | Shs'000 | Shs'000 |
| Group | | |
| Profit/ (loss) earnings | | |
| Profit from continuing operations attributable to equity holders of the company (Shs'000) | 515,238 | 520,703 |
| Profit for the year attributable to equity holders of the company (Shs'000) | <u>515,169</u> | <u>510,265</u> |
| Weighted average number of ordinary shares | | |
| Number of ordinary shares (note 23) | 17,512,640 | 17,512,640 |
| Earnings per share –profit/ (loss) from continuing operations | | |
| Basic and diluted (Shs) | <u>29.42</u> | <u>29.73</u> |
| Earnings per share – profit for the year | | |
| Basic and diluted (Shs) | <u>29.42</u> | <u>29.14</u> |

There were no potentially dilutive shares outstanding at 31 March 2023 and at 31 March 2022. Diluted earnings per share is therefore equal to basic profit/(loss) earnings per share.

11 PROPOSED DIVIDENDS

The directors propose a dividend of Shs 30 per share (2022: Shs 20 per share) amounting to a total of Shs 525,379,200 (2021: Shs 350,253,000) be paid to shareholders. This dividend is subject to approval by shareholders at the Annual General Meeting to be held on 24th August 2023 and has therefore not been included as a liability in these financial statements.

Notes (Continued)

12 PROPERTY, PLANT AND EQUIPMENT

| Group | Land and buildings Shs'000 | Machinery & equipment Shs'000 | Tractors & accessories Shs'000 | Motor vehicles Shs'000 | Office equipment furniture & fittings Shs'000 | Bearer plants Shs'000 | Computers Shs'000 | Work in progress Shs'000 | Total Shs'000 |
|--------------------------------------|-------------------------------|--|---|------------------------------|--|-----------------------------|----------------------|--------------------------------|------------------|
| COST OR VALUATION | | | | | | | | | |
| At 1 April 2021 | 1,283,058 | 1,139,207 | 108,102 | 119,801 | 42,239 | 1,663,881 | 57,336 | 617,964 | 5,031,588 |
| Additions | 7,160 | 91,571 | 954 | 17,973 | 99 | - | 4,210 | 103,753 | 225,720 |
| Transfers | 17,575 | 390,542 | 578 | - | - | 43,061 | 158 | (451,914) | (0) |
| Disposals | (2,356) | (15,338) | (4,897) | (2,824) | (23) | (40,456) | (2,275) | (87) | (68,169) |
| Reclassified to held for sale assets | - | - | - | - | - | - | (87) | - | (87) |
| At 31 March 2022 | 1,305,437 | 1,605,982 | 104,737 | 134,950 | 42,315 | 1,666,486 | 59,342 | 269,803 | 5,189,052 |
| Comprising: | | | | | | | | | |
| At Valuation-2021 | 564,697 | (403,066) | - | - | - | - | - | - | 161,631 |
| At Cost | 740,740 | 2,009,048 | 104,737 | 134,950 | 42,315 | 1,666,486 | 59,342 | 269,803 | 5,027,421 |
| Total | 1,305,437 | 1,605,982 | 104,737 | 134,950 | 42,315 | 1,666,486 | 59,342 | 269,803 | 5,189,052 |
| At 1 April 2022 | 1,305,437 | 1,605,982 | 104,737 | 134,950 | 42,315 | 1,666,486 | 59,342 | 269,803 | 5,189,052 |
| Additions | 2,113 | 92,503 | 3,059 | 15,895 | 1,483 | - | 4,358 | 124,488 | 243,899 |
| Transfers | 2,154 | 25,706 | - | - | 627 | 42,135 | - | (71,175) | (553) |
| Disposals | (8,719) | (17,755) | (5,278) | (9,695) | (47) | (59,472) | (394) | (11,794) | (113,154) |
| Reclassified to held for sale assets | - | - | - | - | - | - | (50) | - | (50) |
| At 31 March 2023 | 1,300,985 | 1,706,436 | 102,518 | 141,150 | 44,378 | 1,649,149 | 63,256 | 311,322 | 5,319,194 |
| Comprising: | | | | | | | | | |
| At Valuation - 2021 | 564,698 | (403,065) | - | - | - | - | - | - | 161,633 |
| At Cost | 736,287 | 2,109,501 | 102,518 | 141,150 | 44,378 | 1,649,149 | 63,256 | 311,322 | 5,157,561 |
| Total | 1,300,985 | 1,706,436 | 102,518 | 141,150 | 44,378 | 1,649,149 | 63,256 | 311,322 | 5,319,194 |

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Notes (Continued)

12 PROPERTY, PLANT AND EQUIPMENT (Continued)

| Group (Continued) | Land and buildings Shs 000 | Machinery & equipment Shs 000 | Tractors & accessories Shs 000 | Motor vehicles Shs 000 | Office equipment furniture & fittings Shs 000 | Bearer plants Shs 000 | Computers Shs 000 | Work in progress Shs 000 | Total Shs 000 |
|------------------------------------|-------------------------------|----------------------------------|-----------------------------------|---------------------------|--|--------------------------|----------------------|-----------------------------|------------------|
| DEPRECIATION | | | | | | | | | |
| At 1 April 2021 | - | 5,284 | 88,724 | 89,627 | 35,360 | 557,596 | 51,774 | - | 828,365 |
| Charge for the year | 138,040 | 149,344 | 4,736 | 14,657 | 2,226 | 91,412 | 3,335 | - | 403,750 |
| Eliminated on disposals | - | (2,258) | (4,897) | (2,824) | (23) | (23,980) | (2,273) | - | (36,255) |
| At 31 March 2022 | 138,040 | 152,370 | 88,563 | 101,460 | 37,563 | 625,028 | 52,836 | - | 1,195,860 |
| At 1 April 2022 | 138,040 | 152,370 | 88,563 | 101,460 | 37,563 | 625,028 | 52,836 | - | 1,195,860 |
| Charge for the year | 106,576 | 168,195 | 4,466 | 13,585 | 1,216 | 86,766 | 3,253 | - | 384,057 |
| Eliminated on disposals | (3,400) | (6,989) | (5,278) | (9,646) | (47) | (35,598) | (393) | - | (61,351) |
| At 31 March 2023 | 241,216 | 313,576 | 87,751 | 105,399 | 38,732 | 676,196 | 55,696 | - | 1,518,566 |
| NET BOOK VALUE | | | | | | | | | |
| At 31 March 2023 | 1,059,769 | 1,392,860 | 14,767 | 35,751 | 5,646 | 972,953 | 7,560 | 311,322 | 3,800,628 |
| At 31 March 2022 | 1,167,398 | 1,453,612 | 16,174 | 33,490 | 4,756 | 1,041,458 | 6,453 | 258,009 | 3,981,350 |
| NET BOOK VALUE (Cost basis) | | | | | | | | | |
| At 31 March 2023 | 172,656 | 948,473 | 16,174 | 33,490 | 4,752 | 1,041,458 | 6,453 | 258,009 | 2,481,465 |
| At 31 March 2022 | 179,970 | 649,448 | 19,378 | 30,174 | 6,883 | 1,106,285 | 5,562 | 617,964 | 2,615,664 |

Included in property, plant and equipment are assets with an original cost of Shs 221,885,000 which are fully depreciated and whose normal depreciation charge for the year would have been Shs 67,162,000

Notes (Continued)

12 PROPERTY, PLANT AND EQUIPMENT (Continued)

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

Company

| | Land and buildings Shs'000 | Machinery and equipment Shs'000 | Tractors and 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 |
|--------------------------|-------------------------------|------------------------------------|-------------------------------------|---------------------------|--|----------------------|--------------------------|-----------------------------|------------------|
| COST OR VALUATION | | | | | | | | | |
| At 1 April 2021 | 776,501 | 554,979 | 48,735 | 64,949 | 29,952 | 30,275 | 672,863 | 103,738 | 2,281,992 |
| Additions | 3,101 | 48,821 | 524 | 3,577 | 78 | 1,132 | - | 25,367 | 82,600 |
| Disposals | - | (4,615) | (2,201) | - | (23) | (1,154) | (13,645) | - | (21,638) |
| Transfers | 16,258 | 14,514 | 578 | - | - | 158 | 14,883 | (46,391) | - |
| Reclassifications | - | - | - | - | - | (90) | - | - | (90) |
| At 31 March 2022 | 795,860 | 613,699 | 47,636 | 68,526 | 30,007 | 30,321 | 674,101 | 82,714 | 2,342,864 |
| Comprising: | | | | | | | | | |
| At valuation | 406,121 | 126,426 | - | - | - | - | - | - | 532,547 |
| At cost | 389,739 | 487,273 | 47,636 | 68,526 | 30,007 | 30,321 | 674,101 | 82,714 | 1,810,317 |
| At 1 April 2022 | 795,860 | 613,699 | 47,636 | 68,526 | 30,007 | 30,321 | 674,101 | 82,714 | 2,342,864 |
| Additions | 945 | 613,699 | 47,636 | 68,526 | 30,007 | 30,321 | 674,101 | 82,714 | 2,342,864 |
| Reclassifications | - | 77,134 | - | 7,361 | 1,187 | 1,382 | 17,274 | 25,133 | 130,416 |
| Disposals | - | (5,528) | (3,077) | (4,716) | (47) | (185) | (18,335) | (554) | (554) |
| Transfers | - | 9,929 | - | - | 627 | - | - | (17,275) | (49,163) |
| At 31 March 2023 | 796,805 | 695,234 | 44,559 | 71,171 | 31,774 | 31,518 | 673,040 | 79,462 | 2,423,563 |

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Notes (Continued)

12 PROPERTY, PLANT AND EQUIPMENT (Continued)

Company (Continued)

DEPRECIATION

| | Land and buildings Shs '000 | Machinery and equipment Shs '000 | Tractors and 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 |
|-----------------------------|--------------------------------|-------------------------------------|--------------------------------------|----------------------------|---|-----------------------|---------------------------|------------------------------|-------------------|
| At 1 April 2021 | - | 5,230 | 33,159 | 48,221 | 25,632 | 28,026 | 236,747 | - | 377,015 |
| Charge for the year | 63,638 | 73,186 | 3,327 | 8,695 | 1,743 | 1,168 | 39,072 | - | 190,829 |
| Eliminated on disposals | - | (2,258) | (2,201) | - | (23) | (1,207) | (7,992) | - | (13,681) |
| At 31 March 2022 | 63,638 | 76,158 | 34,285 | 56,916 | 27,352 | 27,987 | 267,827 | - | 554,163 |
| At 1 April 2022 | 63,638 | 76,158 | 34,285 | 56,916 | 27,352 | 27,987 | 267,827 | - | 554,163 |
| Charge for the year | 43,177 | 75,886 | 3,361 | 5,840 | 803 | 1,173 | 37,584 | - | 167,824 |
| Eliminated on disposals | - | (1,738) | (3,077) | (4,667) | (47) | (185) | (12,834) | - | (22,548) |
| At 31 March 2023 | 106,815 | 150,306 | 34,569 | 58,089 | 28,108 | 28,975 | 292,577 | - | 699,439 |
| NET BOOK VALUE | | | | | | | | | |
| At 31 March 2023 | 689,990 | 544,928 | 9,990 | 13,082 | 3,666 | 2,543 | 380,463 | 79,462 | 1,724,124 |
| At 31 March 2022 | 732,222 | 537,541 | 13,352 | 11,609 | 2,654 | 2,334 | 406,276 | 82,713 | 1,788,701 |
| NET BOOK VALUE (Cost basis) | | | | | | | | | |
| At 31 March 2023 | 104,601 | 347,952 | 9,992 | 13,082 | 3,665 | 2,542 | 380,466 | 79,459 | 941,759 |
| At 31 March 2022 | 107,475 | 341,375 | 13,352 | 11,609 | 2,654 | 2,333 | 406,276 | 82,713 | 967,787 |

Notes (continued)

12 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, on the depreciated replacement cost basis for the existing use.

Included in property, plant and equipment are assets with an original cost of Shs 212,885,000 which are fully depreciated and whose normal depreciation charge for the year would have been Shs 67,162,000.

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 Group'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 Group's buildings and machinery & equipment as at 31 March 2021 was performed by Knight Frank Limited, registered and independent valuers. The significant inputs included the estimated construction and purchase costs and other ancillary expenditures, and appropriate depreciation factors. Knight Frank 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 on the depreciated replacement cost basis. The fair value measurements is based on level 3 and the significant unobservable inputs included the estimated construction and purchase costs and other ancillary expenditures, and appropriate depreciation factors. If the revalued buildings and plant and machinery were carried in the financial statements at historical cost, the balances at year-end would have been Shs 172,656,000 (2022: Shs 179,970,000) and Shs 948,473,000 (2022: Shs 649,448,000) respectively for Group and Shs 104,601,000 (2022: Shs 107,475,000) and Shs 347,952,000 (2022: Shs 341,375,000) respectively for Company.

The fair value hierarchy prioritises the inputs used to measure fair value into three broad Levels (Levels 1, 2 and 3), moving from quoted prices in active markets in Level 1 to unobservable inputs in Level 3. The levels are as defined below:

- a) Level 1 inputs – observable, quoted prices for identical assets or liabilities in active markets;
- b) Level 2 inputs – quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets in markets that are not active; and inputs other than quoted prices e.g. interest rates and yield curves; and
- c) Level 3 inputs – unobservable inputs for the asset or liability. These should be based on the best information available. The Group and the Company should utilise all reasonably available information, but need not incur excessive cost or effort to do so. However, it should not ignore information that can be obtained without undue cost and effort. As such, the reporting entity's own data should be adjusted if information is reasonably available without undue cost and effort.

Details of the Group's buildings and machinery and equipment and information about fair value hierarchy as at 31 March 2023 are as follows:

| | Level 1 | Level 2 | Level 3 | Fair value as at 31 March |
|-------------------------|----------|----------|------------------|---------------------------|
| | Shs'000 | Shs'000 | Shs'000 | Shs'000 |
| Group | | | | |
| 31 March 2023 | | | | |
| Buildings | - | - | 1,300,985 | 1,300,985 |
| Machinery and equipment | - | - | 1,706,436 | 1,706,436 |
| | <u>-</u> | <u>-</u> | <u>3,007,421</u> | <u>3,007,421</u> |

Notes (continued)

12 PROPERTY, PLANT AND EQUIPMENT (Continued)

| | Level 1 | Level 2 | Level 3 | Fair value as at 31 March |
|-------------------------|----------|----------|------------------|---------------------------|
| | Shs'000 | Shs'000 | Shs'000 | Shs'000 |
| Group | | | | |
| 31 March 2022 | | | | |
| Buildings | - | - | 1,305,437 | 1,305,437 |
| Machinery and equipment | - | - | 1,605,982 | 1,605,982 |
| | <u>-</u> | <u>-</u> | <u>2,911,419</u> | <u>2,911,419</u> |
| | <u>-</u> | <u>-</u> | <u>2,911,419</u> | <u>2,911,419</u> |
| Company | | | | |
| 31 March 2023 | | | | |
| Buildings | - | - | 689,990 | 689,990 |
| Machinery and equipment | - | - | 544,928 | 544,928 |
| | <u>-</u> | <u>-</u> | <u>1,234,918</u> | <u>1,234,918</u> |
| | <u>-</u> | <u>-</u> | <u>1,234,918</u> | <u>1,234,918</u> |
| 31 March 2022 | | | | |
| Buildings | - | - | 732,222 | 732,222 |
| Machinery and equipment | - | - | 537,541 | 537,541 |
| | <u>-</u> | <u>-</u> | <u>1,269,763</u> | <u>1,269,763</u> |
| | <u>-</u> | <u>-</u> | <u>1,269,763</u> | <u>1,269,763</u> |

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

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

Notes (continued)

| 13 | INTANGIBLE ASSETS (COMPUTER SOFTWARE) | Group | | Company | |
|----|---|------------------|-----------------|-----------------|-----------------|
| | | 2023 Shs' 000 | 2022 Shs'000 | 2023 Shs'000 | 2022 Shs'000 |
| | At start of year | 23,783 | 22,890 | 13,787 | 13,299 |
| | Additions | 1,207 | 893 | 691 | 488 |
| | At end of year | 24,990 | 23,783 | 14,478 | 13,787 |
| | AMORTISATION | | | | |
| | At start of year | 22,681 | 22,101 | 13,151 | 12,879 |
| | Amortisation for the year | 829 | 580 | 440 | 272 |
| | At end of year | 23,510 | 22,681 | 13,591 | 13,151 |
| | NET BOOK VALUE | | | | |
| | At end of year | 1,480 | 1,102 | 887 | 636 |
| 14 | RIGHT-OF-USE ASSETS | | | | |
| | | Land | Premises | Car park | Total |
| | GROUP | Shs'000 | Shs'000 | Shs'000 | Shs'000 |
| | Cost | | | | |
| | At 1 April 20210, 31 March 20221, 1 April 20221 and 31 March 2023 | 81,581 | 26,700 | 7,185 | 115,466 |
| | Amortisation | | | | |
| | At 1 April 2021 | 14,859 | 10,696 | 3,382 | 28,937 |
| | Charge for the year | 824 | 5,348 | 1,691 | 7,863 |
| | Alignment to 99 years amortization period | (4,415) | - | - | (4,415) |
| | At 31 March 2022 | 11,268 | 16,044 | 5,073 | 32,385 |
| | At 1 April 2022 | 11,268 | 16,044 | 5,073 | 32,385 |
| | Charge for the year | 824 | 6,299 | 1,566 | 8,689 |
| | Alignment to 99 years amortization period | (1,717) | (1,269) | - | (2,986) |
| | | 10,375 | 21,074 | 6,639 | 38,088 |
| | Net book value | | | | |
| | At 31 March 2023 | 71,206 | 5,626 | 546 | 77,378 |
| | At 31 March 2022 | 70,313 | 10,656 | 2,112 | 83,081 |

Notes (continued)

| | Land Shs'000 | Premises Shs'000 | Car park Shs'000 | Total Shs'000 |
|--|-----------------|---------------------|---------------------|------------------|
| 14 RIGHT-OF-USE ASSETS (Continued) | | | | |
| COMPANY | | | | |
| At 1 April 2021, 31 March 2022, 1 April 2022 and 31 March 2023 | 12,612 | 16,951 | 7,185 | 36,748 |
| Amortisation | | | | |
| At 1 April 2021 | 2,163 | 7,976 | 3,382 | 13,521 |
| Charge for the year | 127 | 3,988 | 1,691 | 5,806 |
| Prepaid leasehold land adjustment | (814) | - | - | (814) |
| At 31 March 2022 | 1,476 | 11,964 | 5,073 | 18,513 |
| At 1 April 2022 | 1,476 | 11,964 | 5,073 | 18,513 |
| Charge for the year | 129 | 4,934 | 1,691 | 6,754 |
| Prior year adjustment | - | (1,394) | - | (1,394) |
| At 31 March 2023 | 1,605 | 15,504 | 6,764 | 23,873 |
| Net book value | | | | |
| At 31 March 2023 | 11,007 | 1,322 | 546 | 12,875 |
| At 31 March 2022 | 11,136 | 4,987 | 2,112 | 18,235 |

Right-of-use assets relate to leasehold land located in Williamson Tea Kenya Plc Changoi Estate, Tinderet Tea Estates (1989) Limited and Kaimosi Tea Estates Limited.

Leasehold land belonging to Kaimosi Tea Estates with net book value Shs 4,304,000 (2022: Shs 8,337,000) have been charged to secure banking facilities granted to the Group as disclosed in Note 27.

The right of use assets are prepaid operating leases which do not have a resulting lease liability.

The Group's land titles in Kenya, which were originally on leases of 999 years, were converted to 99-year leases with effect from 27th August 2010. In the prior year, the Group effected accrual for the amortisation charge of the operating leases over the remaining lease period.

Notes (continued)

15 INVESTMENT PROPERTIES

| | Group and Company | |
|---|-------------------|-----------------|
| | 2023 Shs'000 | 2022 Shs'000 |
| At fair value: | | |
| At start of year | 398,100 | 399,781 |
| Fair value loss | - | (1,681) |
| At end of year | <u>398,100</u> | <u>398,100</u> |
| At cost basis | <u>11,591</u> | <u>11,591</u> |
| Rental income generated from investment property during the year | <u>3,390</u> | <u>3,650</u> |
| Direct operating expenses from investment property that generated rental income during the year | <u>6,350</u> | <u>1,313</u> |

Fair value measurement of the Group's investment properties

The Group's investment properties relate to two properties LR No 1160/197 and LR No 330/490, both located in the Nairobi area.

The Investment properties are stated at fair value at the end of year. The fair value measurements of the investment properties as at 31 March 2023 and 31 March 2022 were determined by Knight Frank, Registered and independent Valuers and Estate Agents. Knight Frank are members of the Institute of Surveyors of Kenya and they have appropriate qualifications and relevant and recent experience in the fair value measurement of properties in the various locations in Kenya. The fair value of the investment properties is determined using either the market approach or the income approach (discounted cash flows).

Details of the Group's investment properties and information about fair value hierarchy as at 31 March 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 2023 | | | | |
| Investment properties | <u>-</u> | <u>-</u> | <u>398,100</u> | <u>398,100</u> |
| 31 March 2022 | | | | |
| Investment properties | <u>-</u> | <u>-</u> | <u>398,100</u> | <u>398,100</u> |

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

Notes (continued)

15 INVESTMENT PROPERTIES (continued)

Fair value measurement of the Group's investment properties

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 2023 | 31 March 2022 | | 2023 | 2022 | |
| | Shs 000 | Shs 000 | | Shs 000 | Shs 000 | |
| Investment properties | 398,100 | 398,100 | Average prices per acre | 110,000-150,000 (135,870) | 110,000-150,000 (135,870) | The higher the prices the higher the fair value |

16 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

| | 2023 Shs'000 | 2022 Shs'000 |
|--|-----------------|-----------------|
| Group | | |
| Kapchorua Tea Kenya Plc (Quoted) - 39.56% owned: | | |
| Carried at share of net assets | 737,998 | 642,346 |
| The movement in Group investment in associate company is as follows: | | |
| At start of year | 642,346 | 587,965 |
| Share of profit for year | 124,420 | 84,665 |
| Share of other comprehensive income | 2,183 | 667 |
| Share of total comprehensive income | 126,603 | 85,332 |
| Dividend received | (30,951) | (30,951) |
| At end of year | 737,998 | 642,346 |
| Share of total comprehensive income comprises of: | | |
| Share of profit | 124,420 | 84,665 |
| Share of other comprehensive income | 2,183 | 667 |
| | 126,603 | 85,332 |

Notes (continued)

16 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (continued)

| | 2023 Shs'000 | 2022 Shs'000 |
|--|-----------------|-----------------|
| COMPANY | | |
| Kapchorua Tea Kenya Plc (Quoted) 39.56% owned: | | |
| At cost | 49,504 | 49,504 |
| At fair value – Quoted market price. | 361,181 | 308,782 |

The details of the above associate company are as follows:

| <i>Company</i> | <i>Share capital Shs</i> | <i>Proportion of ownership interest and voting power held by the group</i> | | <i>Place of Incorporation</i> | <i>Principal activity</i> |
|-------------------------|------------------------------|--|----------------------|-------------------------------|--|
| | | <i>31 March 2023</i> | <i>31 March 2022</i> | | |
| Kapchorua Tea Kenya Plc | 39,120,000 | 39.56% | 39.56% | Kenya | Cultivation, manufacture and sale of tea |

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

The summarised financial information as of 31 March 2023 in respect of the associate company, Kapchorua Tea Kenya Plc is set out below:

| | 2023 Shs'000 | 2022 Shs'000 |
|---|-----------------|-----------------|
| Non-current assets | 1,463,990 | 1,240,705 |
| Current assets | 1,010,676 | 908,375 |
| Non-current liabilities | (449,337) | (374,531) |
| Current liabilities | (159,094) | (150,825) |
| Net assets | 1,866,235 | 1,623,724 |
| Group's share of the net assets | 737,997 | 642,345 |
| Revenue | 1,773,794 | 1,415,471 |
| Profit before income tax | 454,721 | 303,013 |
| Income tax expense | (140,211) | (88,997) |
| Profit for the year | 314,510 | 214,016 |
| Total other comprehensive income | 5,518 | 1,687 |
| Total comprehensive income for the year | 320,028 | 215,703 |

Notes (continued)

| | 2023 Shs'000 | 2022 Shs'000 |
|--|-----------------|-----------------|
| 17 INVESTMENT IN SUBSIDIARIES | | |
| (a) Investments at cost in wholly owned subsidiaries: | | |
| Kaimosi Tea Estates Limited | 2,863 | 2,863 |
| Williamson Power Limited* | - | - |
| Tea Properties Limited | 2 | 2 |
| Lelsa Tea Estates Limited* | - | - |
| | 2,865 | 2,865 |
| (b) Investment at cost in partially owned subsidiaries: | | |
| Tinderet Tea Estates (1989) Limited (82% owned) | 103,323 | 103,323 |
| | 106,188 | 106,188 |

*Investments in Lelsa Tea Estates Limited and Williamson Power Limited are fully impaired.

The details of the above subsidiary companies are as follows:

| <i>Company</i> | <i>Share capital Shs</i> | <i>Place of Incorporation and operation</i> | <i>Principal activity</i> | <i>Proportion of ownership interest and voting power held by the group</i> | |
|-------------------------------------|------------------------------|---|--|--|--------------------------|
| | | | | <i>31 March 2023</i> | <i>31 March 2022</i> |
| Kaimosi Tea Estates Limited | 2,540,000 | Kenya | Cultivation, manufacture and sale of tea | 100% | 100% |
| Williamson Power Limited | 2,880,000 | Kenya | Dormant company | 100% | 100% |
| Tea Properties Limited | 2,000 | Kenya | Property investment | 100% | 100% |
| Lelsa Tea Estates Limited | 4,000,000 | Kenya | Dormant company | 100% | 100% |
| Tinderet Tea Estates (1989) Limited | 100,000 | Kenya | Cultivation, manufacture and sale of tea | 82% | 82% |

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

Notes (continued)

17 INVESTMENT IN SUBSIDIARIES (Continued)

Summarised financial information on subsidiaries with material non- controlling interest

The summarised financial information below represents amounts before intragroup eliminations.

Tinderet Tea Estates (1989) Limited
 At 31 March 2023

| | 2023 Shs'000 | 2022 Shs'000 |
|--|-----------------|-----------------|
| Non-current assets | 1,105,738 | 1,101,403 |
| Current assets | 972,909 | 699,565 |
| Non current liabilities | (322,054) | (322,191) |
| Current liabilities | (166,486) | (126,035) |
| Equity attributable to the owners of the company | 1,590,107 | 1,352,742 |
| Non-controlling interest | 18% | 18% |
| Revenue | 1,465,361 | 1,187,268 |
| Expenses | (1,192,517) | (1,078,480) |
| Profit for the year | 272,844 | 108,788 |
| Profit attributable to the owners of the company | 223,732 | 89,206 |
| Profit attributable to non-controlling interest | 49,112 | 19,582 |
| Other comprehensive income | 3,893 | 1,272 |
| Other comprehensive income attributable to the owners of the company | 3,192 | 1,043 |
| Other comprehensive income to non-controlling interest | 701 | 229 |
| Dividends paid to non-controlling interest | 7,087 | 3,543 |
| Net cash inflow from operating activities | 342,425 | 182,191 |
| Net cash outflow from investing activities | (83,589) | (29,186) |
| Net cash outflow from financing activities | (39,372) | (19,686) |
| Net cash inflow | 219,464 | 133,319 |

Notes (continued)

18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group and Company balances relates to an equity investment in 999,326 and 403,545 ordinary shares of Kenya Tea Parkers Limited (KETEPA) respectively, representing 2.00% and 0.81% shareholding, which is carried at fair value through profit or loss. The change in fair value in the year is as follows:

| | 2023 Shs'000 | 2022 Shs'000 |
|-----------------------------------|-----------------|-----------------|
| Group | | |
| At start of year | 28,166 | 1,349 |
| Fair value gain to profit or loss | 67 | 26,817 |
| | <u>28,233</u> | <u>28,166</u> |
| Company | | |
| At start of year | 11,374 | 546 |
| Fair value gain to profit or loss | 27 | 10,828 |
| | <u>11,401</u> | <u>11,374</u> |

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 2022.

19 BIOLOGICAL ASSETS

(a) Non – current assets

Group

Year ended 31 March 2023

| | Timber trees Shs'000 | Fuel trees Shs'000 | Total Shs'000 |
|---|-------------------------|-----------------------|------------------|
| At start of year | 104,847 | 616,539 | 721,386 |
| Net expenditure on biological assets | - | 8,294 | 8,294 |
| | <u>104,847</u> | <u>624,833</u> | <u>729,680</u> |
| Gains/ (losses) from changes in fair value attributable to: | | | |
| -Biological transformation | (4,480) | 148,166 | 143,686 |
| -Price changes | (31,806) | (12,645) | (44,451) |
| | <u>(36,286)</u> | <u>135,521</u> | <u>99,235</u> |
| Decrease due to harvesting for own use | - | (7,350) | (7,350) |
| Disposals | - | (79,211) | (79,211) |
| Decrease due to re-class of live fence | (1,291) | - | (1,291) |
| | <u>67,270</u> | <u>673,793</u> | <u>741,063</u> |
| At end of year | <u>67,270</u> | <u>673,793</u> | <u>741,063</u> |

Notes (continued)

19 BIOLOGICAL ASSETS (Continued)

(a) Non – current assets (continued)

Group

Year ended 31 March 2022

| | Timber trees Shs'000 | Fuel trees Shs'000 | Total Shs'000 |
|---|-------------------------|-----------------------|------------------|
| At start of year | 69,770 | 615,521 | 685,291 |
| Net expenditure on biological assets | 162 | 5,473 | 5,635 |
| | <u>69,932</u> | <u>620,994</u> | <u>690,926</u> |
| Gains/ (losses) from changes in fair value attributed to; | | | |
| - Biological transformation | 1,902 | 63,701 | 65,603 |
| - Price changes | 50,018 | - | 50,018 |
| | <u>51,920</u> | <u>63,701</u> | <u>115,621</u> |
| Decrease due to harvesting for own use | (533) | (5,861) | (6,394) |
| Decrease due to sale to third parties | (107) | - | (107) |
| Disposals | (16,366) | (62,294) | (78,660) |
| | <u>104,846</u> | <u>616,540</u> | <u>721,386</u> |

Company

Year ended 31 March 2023

| | Timber trees Shs'000 | Fuel trees Shs'000 | Total Shs'000 |
|---|-------------------------|-----------------------|------------------|
| At start of year | 32,663 | 209,886 | 242,549 |
| Net expenditure on biological assets | - | 2,707 | 2,707 |
| | <u>32,663</u> | <u>212,593</u> | <u>245,256</u> |
| Gains/ (losses) from changes in fair value attributed to; | | | |
| - Biological transformation | (1,506) | 37,477 | 35,971 |
| - Price changes | (8,217) | - | (8,217) |
| | <u>(9,723)</u> | <u>37,477</u> | <u>27,754</u> |
| Decrease due to harvest for own use | - | (42,824) | (42,824) |
| | <u>(9,723)</u> | <u>(5,347)</u> | <u>(15,070)</u> |
| At end of year | <u>22,940</u> | <u>207,246</u> | <u>230,186</u> |

Notes (continued)

19 BIOLOGICAL ASSETS (Continued)

(a) Non – current assets (continued)

Company (Continued)

Year ended 31 March 2022

| | Timber trees Shs'000 | Fuel trees Shs'000 | Total Shs'000 |
|---|-------------------------|-----------------------|------------------|
| At start of year | 38,193 | 213,095 | 251,288 |
| Net expenditure on biological assets | - | 1,526 | 1,526 |
| | <u>38,193</u> | <u>214,621</u> | <u>252,814</u> |
| Gains arising from changes in fair value attributable to physical changes | (2,380) | 18,768 | 16,388 |
| Losses arising from changes in fair value attributable to price changes | 10,990 | - | 10,990 |
| | <u>8,610</u> | <u>18,768</u> | <u>27,378</u> |
| Net fair value gain | 8,610 | 18,768 | 27,378 |
| Decrease due to harvest for own use | (14,072) | (23,504) | (37,576) |
| Decrease due to sale to third parties | (68) | - | (68) |
| | <u>32,663</u> | <u>209,885</u> | <u>242,548</u> |

(b) Current assets

| | Group | | Company | |
|--|-----------------|-----------------|-----------------|-----------------|
| | 2023 Shs'000 | 2022 Shs'000 | 2023 Shs'000 | 2022 Shs'000 |
| At start of year | 16,430 | 26,628 | 9,870 | 13,584 |
| Gains/losses arising from changes in fair value attributable to physical changes | 10,658 | (10,198) | 4,552 | (3,712) |
| | <u>27,088</u> | <u>16,430</u> | <u>14,422</u> | <u>9,872</u> |

Current assets comprise unharvested green leaf while the fuel and timber plantations are classified as non-current assets.

Notes (continued)

19 BIOLOGICAL ASSETS (Continued)

(c) Significant assumptions

The fair value of biological assets is estimated using the market approach. Timber plantations were revalued at 31 March 2023 by an independent valuation expert, Kenya Forestry Research Institute (KEFRI) using the lumpsum/ liquidation method; by applying the current residual market price of the trees.

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

- Firewood (fuel) selling prices represents the value that the Company can fetch (in cubic meters) upon harvest and delivery to a third party
- The selling price for timber represents the unit residual market price per cubic meter. The residual price is derived by taking the market price of processed timber less the transaction costs.
- A discount rate of 12% (2022: 12%) per annum is applied to discount the expected net cash flows arising from the future harvest of fuel plantations upon maturity.
- The maturity period of firewood and timber trees is between 5 and 15 years depending on the species of the tree.

Unharvested green leaf

- 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 sale of green leaf. Consequently, the out-grower rate has been used to fair value the unharvested green leaf 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 86,045,090 (2022: Shs 78,270,000) and Shs 26,025,000 (2022: Shs 27,645,000) (increase/decrease in the fair value of the timber and fuel trees for the Group and the Company respectively).
- A 1 percentage point upward movement in the discount rate used in determining the expected net cash flows would result in a Shs 7,506,970 (2022: Shs 2,392,000) and Shs 2,484,089 (2022: Shs 374,000) decrease in the fair value of the timber and fuel trees for the Group and the Company respectively.

Notes (continued)

19 BIOLOGICAL ASSETS (Continued)

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

| | | Level 1 | Level 2 | Level 3 | As at 31 March |
|---------------------------------|---------------------|---------|---------------|----------------|----------------|
| Year ended 31 March 2023 | Valuation technique | Shs'000 | Shs'000 | Shs'000 | Shs'000 |
| Timber and fuel trees | Market approach | - | - | 741,063 | 741,063 |
| Unharvested green leaf | Market approach | - | 27,088 | - | 27,088 |
| | | | <u>27,088</u> | <u>741,063</u> | <u>768,151</u> |
| Year ended 31 March 2022 | | | | | |
| Timber and fuel trees | Market approach | - | - | 721,386 | 721,386 |
| Unharvested green leaf | Market approach | - | 16,430 | - | 16,430 |
| | | | <u>16,430</u> | <u>721,386</u> | <u>737,816</u> |
| | | Level 1 | Level 2 | Level 3 | As at 31 March |
| Year ended 31 March 2023 | Valuation technique | Shs'000 | Shs'000 | Shs'000 | Shs'000 |
| Timber and fuel trees | Market approach | - | - | 230,186 | 230,186 |
| Unharvested green leaf | Market approach | - | 14,422 | - | 14,422 |
| | | | <u>14,422</u> | <u>230,186</u> | <u>244,608</u> |
| Year ended 31 March 2022 | | | | | |
| Timber and fuel trees | Market approach | - | - | 242,548 | 242,548 |
| Unharvested green leaf | Market approach | - | 9,872 | - | 9,872 |
| | | | <u>9,872</u> | <u>242,548</u> | <u>252,420</u> |

Notes (continued)

19 BIOLOGICAL ASSETS (Continued)

Other qualitative and quantitative information

The total timber and fuel trees comprise of approximately 463.95 hectares (2022 – 487.42 hectares) of mature trees and 229.61 hectares (2022: 213.62 hectares) of immature trees (less than 5 years old) for Group and 125.48 hectares (2022 – 142.48 hectares) for mature and 72.12 hectares (2022: 71.17 hectares) of immature trees for Company.

The group is exposed to risks arising from environmental and climatic changes, commodity prices and financing risks. The group's geographic spread of farms allows a high degree of mitigation against adverse climatic conditions such as droughts and floods and disease outbreaks. The group has strong environmental policies and procedures in place to comply with environmental and other laws. The group 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 group 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 2023 Shs 000 | 31 March 2022 Shs 000 | | 2023 | 2022 | |
| Biological assets | 741,063 | 721,386 | Discount rate | 10%-14% (12%) | 10%-14% (12%) | The higher the discount rate the lower the fair value |

20 INVENTORIES

| | Group | | Company | |
|--|-----------------|-----------------|-----------------|-----------------|
| | 2023 Shs'000 | 2022 Shs'000 | 2023 Shs'000 | 2022 Shs'000 |
| Tea stocks | 401,042 | 462,697 | 150,197 | 173,918 |
| Firewood | 162,144 | 117,818 | 140,023 | 6,627 |
| Stores | 132,773 | 97,850 | 9,333 | 97,439 |
| Less: provision for stock obsolescence | (45,850) | (37,237) | (32,305) | (26,232) |
| | <u>650,109</u> | <u>641,128</u> | <u>267,248</u> | <u>251,752</u> |

The cost of inventories recognized as an expense during the year was Shs 1,756,442,350 (2022: Shs 1,552,442,000) and Shs 534,022,000 (2022: Shs 494,447,000) for the Group and Company respectively. The cost of inventories recognized as an expense includes Shs 8,613,000 (2022: Shs 11,654,000) and Shs 6,073,000 (2022: Shs 9,913,000) in respect of provisions for slow moving inventory for the group and Company respectively.

Notes (continued)

21 TRADE AND OTHER RECEIVABLES

| | Group | | Company | |
|--------------------------------------|-----------------|-----------------|-----------------|-----------------|
| | 2023 Shs'000 | 2022 Shs'000 | 2023 Shs'000 | 2022 Shs'000 |
| Trade receivables | 157,187 | 169,865 | 59,553 | 56,218 |
| Provision for expected credit losses | - | - | - | - |
| Trade receivables – net | 157,187 | 169,865 | 59,553 | 56,218 |
| Staff debtors | 71,413 | 75,246 | 49,789 | 51,065 |
| VAT recoverable | 105,793 | 99,232 | 20,155 | 21,521 |
| Prepayments and other receivables | 96,559 | 56,944 | 86,957 | 62,424 |
| Due from related parties (Note 31) | 9,705 | 19,994 | 10,397 | 16,664 |
| | <u>440,657</u> | <u>421,281</u> | <u>226,851</u> | <u>207,892</u> |

22 CASH AND BANK BALANCES

| | | | | |
|--------------------------|------------------|------------------|----------------|----------------|
| Cash balances | 311 | 448 | 269 | 283 |
| Bank balances | 273,491 | 227,508 | 57,355 | 93,443 |
| | <u>273,802</u> | <u>227,956</u> | <u>57,624</u> | <u>93,726</u> |
| Short term bank deposits | 1,201,346 | 840,874 | 304,690 | 378,986 |
| | <u>1,475,148</u> | <u>1,068,830</u> | <u>362,314</u> | <u>472,712</u> |

The short-term bank deposits were maturing within 90 days after the year end. The average effective interest rate on the short-term deposits at the year end was 9.75% (2022: 8.5% per annum).

23 SHARE CAPITAL

| | 2023 Shs'000 | 2022 Shs'000 |
|---------------------------------|-----------------|-----------------|
| Authorised: | | |
| 17,512,640 shares of Shs 5 each | <u>87,563</u> | <u>87,563</u> |
| Issued and fully paid: | | |
| 17,512,640 shares of Shs 5 each | <u>87,563</u> | <u>87,563</u> |

Notes (continued)

23 SHARE CAPITAL

OTHER RESERVES

| Group | Revaluation reserve Shs'000 | Remeasurement reserve Shs'000 | Total Shs'000 |
|--|-----------------------------------|-------------------------------------|------------------|
| 31 March 2023 | | | |
| At start of year | 1,256,627 | 3,909 | 1,260,536 |
| Other comprehensive income | - | 14,392 | 14,392 |
| Transfer of excess depreciation | (97,385) | - | (97,385) |
| Deferred income tax on excess depreciation | 27,548 | - | 27,548 |
| | <u>1,186,790</u> | <u>18,301</u> | <u>1,205,091</u> |
| 31 March 2022 | | | |
| At start of year | 1,320,872 | - | 1,320,872 |
| Other comprehensive income | - | 3,909 | 3,909 |
| Transfer of excess depreciation | (87,680) | - | (87,680) |
| Deferred income tax on excess depreciation | 23,435 | - | 23,435 |
| | <u>1,256,627</u> | <u>3,909</u> | <u>1,260,536</u> |
| Company | | | |
| 31 March 2023 | | | |
| At start of year | 647,957 | 1,322 | 649,279 |
| Other comprehensive income | - | 4,884 | 4,884 |
| Transfer of excess depreciation | (38,670) | - | (38,670) |
| Deferred income tax on excess depreciation | 11,602 | - | 11,602 |
| Transfer on disposal | (123) | - | (123) |
| Deferred income tax on disposal | 37 | - | 37 |
| | <u>620,803</u> | <u>6,206</u> | <u>627,009</u> |
| 31 March 2022 | | | |
| At start of year | 685,460 | - | 685,460 |
| Other comprehensive income | - | 1,322 | 1,322 |
| Transfer of excess depreciation | (46,510) | - | (46,510) |
| Deferred income tax on excess depreciation | 13,953 | - | 13,953 |
| Transfer on disposal | (3,805) | - | (3,805) |
| Deferred income tax on disposal | (1,141) | - | (1,141) |
| | <u>647,957</u> | <u>1,322</u> | <u>649,279</u> |

Notes (continued)

24 NON – CONTROLLING INTERESTS

| | 2023 Shs'000 | 2022 Shs'000 |
|--|-----------------|-----------------|
| At start of year | 216,437 | 200,169 |
| Share of profit/ (loss): | | |
| - arising from operating activities | 37,483 | 16,111 |
| - arising from changes in fair value biological assets | 11,629 | 3,471 |
| | 49,112 | 19,582 |
| Share of other comprehensive income | 701 | 229 |
| Share of total comprehensive income | 49,813 | 19,811 |
| Dividends paid by Tinderet Tea Estates (1989) Limited | (7,087) | (3,543) |
| At end of year | <u>259,163</u> | <u>216,437</u> |
| Represented by: | | |
| Holding in Tinderet Tea Estates (1989) Limited | <u>18%</u> | <u>18%</u> |

Notes (continued)

25 DEFERRED INCOME TAX

Deferred income taxes are calculated on all temporary differences under the liability method using the enacted tax rate of 30% (2022: 30%). The net deferred taxation liability is attributable to the following items:

| | Group | | Company | |
|--|-------------------------|-----------------------|-----------------------|-----------------------|
| | 2023 Shs'000 | 2022 Shs'000 | 2023 Shs'000 | 2022 Shs'000 |
| Deferred income tax liabilities: | | | | |
| Property, plant and equipment | | | | |
| - cost | 682,712 | 710,559 | 194,062 | 202,945 |
| - revaluation surplus | 183,886 | 202,723 | 134,312 | 145,876 |
| Investment properties and other equities | | | | |
| revaluation gain | 62,211 | 20,734 | 59,686 | 19,894 |
| Biological assets | 205,642 | 196,436 | 66,978 | 69,227 |
| Unrealised exchange gains | 17,432 | 878 | 3,219 | 361 |
| Post-employment benefits obligation | 7,020 | 1,487 | 2,660 | 567 |
| | <u>1,158,903</u> | <u>1,132,817</u> | <u>460,917</u> | <u>438,870</u> |
| Deferred taxation assets: | | | | |
| Unrealised exchange losses | (12,408) | (3,884) | - | (91) |
| Other deductible differences | (77,567) | (146,266) | (35,225) | (33,602) |
| | <u>(89,975)</u> | <u>(150,150)</u> | <u>(35,225)</u> | <u>(33,693)</u> |
| Net deferred income tax liability | <u><u>1,068,928</u></u> | <u><u>982,667</u></u> | <u><u>425,692</u></u> | <u><u>405,177</u></u> |

The movement on the deferred income tax is as follows:

| | Group | | Company | |
|--|-------------------------|-----------------------|-----------------------|-----------------------|
| | 2023 Shs'000 | 2022 Shs'000 | 2023 Shs'000 | 2022 Shs'000 |
| At start of year | 982,667 | 1,081,548 | 405,177 | 519,115 |
| (Credit)/charge to profit or loss | | | | |
| -current year charge/(credit) | 75,534 | 26,572 | 18,422 | (9,951) |
| -Prior year (under)/over provision | 5,195 | (126,940) | - | (104,554) |
| Remeasurement gain/loss recognized through OCI | 5,532 | 1,487 | 2,093 | 567 |
| At end of year | <u><u>1,068,928</u></u> | <u><u>982,667</u></u> | <u><u>425,692</u></u> | <u><u>405,177</u></u> |

Notes (continued)

26 POST-EMPLOYMENT BENEFITS OBLIGATION

The Group provides service gratuity to its employees upon retirement or completion of service contracts based on the number of years of service and the terminal salary. The obligation for the service gratuity is based on an independent actuarial valuation, using the projected unit credit method, at the end of year. The movement in the balance in the year is as follows:

| | Group | | Company | | Shs'00 |
|--|-----------------|-----------------|-----------------|-----------------|--------|
| | 2023 Shs'000 | 2022 Shs'000 | 2023 Shs'000 | 2022 Shs'000 | |
| At start of year | 168,283 | 207,812 | 61,577 | 131,929 | |
| Prior year balance adjustment | - | - | - | (38,515) | |
| Charge to profit or loss | 28,453 | 35,516 | 12,555 | 14,014 | |
| Employer contributions- settlements in the year | (19,402) | (70,087) | (10,082) | (43,962) | |
| Re-measurements recognised through OCI | (18,442) | (4,958) | (6,977) | (1,889) | |
| At end of year | <u>158,892</u> | <u>168,283</u> | <u>57,073</u> | <u>61,577</u> | |

The significant actuarial assumptions used were as follows:

| | |
|---------------------------------|------------|
| Discount rate (%) | 14.0 |
| Future salary increases (% p.a) | 10.0 |
| Mortality (pre-retirement) | A1949-1952 |
| Mortality (post-retirement) | N/a |
| Retirement Age | 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 10,298,00 (increase by Shs 11,529,000).

If the expected rate of salary growth increases (decreases) by 1%, the defined benefit obligation would increase by Shs 11,833,000 (decrease by Shs 10,719,000).

27 BORROWINGS

a) Loans

| | Group | | Company | |
|--|-----------------|-----------------|-----------------|-----------------|
| | 2023 Shs'000 | 2022 Shs'000 | 2023 Shs'000 | 2022 Shs'000 |
| Bank borrowing | <u>195,754</u> | <u>204,040</u> | - | - |
| The borrowings are repayable as follows: | | | | |
| On demand and within one year | 48,744 | 34,391 | - | - |
| Between 1 to 5 years | 147,010 | 169,649 | - | - |
| | <u>195,754</u> | <u>204,040</u> | - | - |

Notes (continued)

27 BORROWINGS (continued)

| | Group | | Company | |
|--|-------------------|-------------------|-------------------|-------------------|
| | 2023 | 2022 | 2023 | 2022 |
| | Shs'000 | Shs'000 | Shs'000 | Shs'000 |
| b) Analysis of changes in bank loan | | | | |
| At start of year | 204,040 | 208,072 | - | - |
| Repayments in the year | (40,121) | (34,620) | - | - |
| Additions in the year | 2,056 | 22,532 | - | - |
| Exchange loss on revaluation | 29,779 | 8,056 | - | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| At end of year | 195,754 | 204,040 | - | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

c) Interest rates

| | 2023 | 2022 |
|---|-------------------|-------------------|
| The average interest rates paid by the Group were as follows: | | |
| Asset finance loan- US\$ | 3.4% | 3.4% |
| | <u> </u> | <u> </u> |

d) Details of securities for loans and bank overdrafts

Borrowings relate to a secured asset finance credit facility of USD 1,900,000 from Absa Bank Kenya Plc taken out in April 2020. The purpose of the loan was to finance the acquisition of solar panels and battery storage equipment. The loan carries interest at 3.4% above the 3 months USD LIBOR.

The loan securities are as follows:

Group

1. Joint and several debentures between Kaimosi Tea Estates Limited and Williamson Tea Kenya Plc to Absa Bank Kenya Plc stamped and registered to cover Shs 104 million.
2. Legal mortgage over LR Nos. 1892, 1893, 1894, 1895, 1896 and 1899 (Kaimosi Tea Estates Limited) registered and stamped to cover Shs 104 million supplemental to the debenture.
3. Fixed and floating debenture in the bank's standard form covering the assets of Kaimosi Tea Estates Limited, Williamson Tea Kenya Plc and Tea Properties Limited registered and stamped to cover Shs 318,876,140.
4. Charge over Property Title No. 1989 Kaimosi, 1896 Kaimosi, 1895 Kaimosi, 1894 Kaimosi, 1899 Kaimosi and 1892 Kaimosi in the name of Kaimosi Tea Estates Limited registered and stamped to cover Shs 318,676,140.

e) Undrawn facilities

The Group had undrawn committed borrowing facilities with various bankers amounting to Shs 345,166,826 (2022 – Shs 267,906,037). The borrowing facilities consist of loans, bank overdrafts, letters of credit and guarantees.

There has not been any breach of loan covenants in the year (2022: Nil).

Notes (continued)

28 TRADE AND OTHER PAYABLES

| | Group | | Company | |
|-------------------------------------|-----------------|-----------------|-----------------|-----------------|
| | 2023 Shs'000 | 2022 Shs'000 | 2023 Shs'000 | 2022 Shs'000 |
| Trade payables | 42,173 | 61,010 | 12,564 | 26,798 |
| Payable to out-growers | 113,815 | 116,947 | 32,299 | 31,074 |
| Other payables and accrued expenses | 207,266 | 214,261 | 108,023 | 118,148 |
| Due to related parties | 24,003 | 1,434 | 40,183 | 17,422 |
| | <u>387,257</u> | <u>393,652</u> | <u>193,069</u> | <u>193,442</u> |

29 DIVIDENDS PAYABLE

| | 2023 Shs'000 | 2022 Shs'000 |
|---|-----------------|-----------------|
| Group and Company | | |
| At start of year | 70,440 | 60,489 |
| Final dividend declared | 350,253 | 175,126 |
| Dividends paid | (347,013) | (159,490) |
| Amount remitted to unclaimed assets authority | - | (5,685) |
| | <u>73,680</u> | <u>70,440</u> |

Notes (continued)

30 CASH GENERATED FROM OPERATIONS

| | Group | | Company | |
|---|-----------------|-----------------|-----------------|-----------------|
| | 2023 Shs'000 | 2022 Shs'000 | 2023 Shs'000 | 2022 Shs'000 |
| Profit before income tax | 842,275 | 578,258 | 213,826 | 228,370 |
| Adjustments for: | | | | |
| Depreciation (note 12) | 384,057 | 403,750 | 167,824 | 190,829 |
| Amortisation of right of use asset (note 14) | 5,703 | 3,448 | 4,992 | 5,360 |
| Amortisation of intangible assets (note 13) | 829 | 580 | 440 | 272 |
| Loss on disposal of plant and equipment | 36,402 | 13,356 | 366 | 144 |
| Share of results of investments accounted for using the equity method | (124,420) | (84,665) | - | - |
| Dividend income | (449) | (783) | (84,012) | (58,037) |
| Changes in fair value of biological assets | (23,243) | (16,882) | 19,247 | 17,359 |
| Fair value loss on investment properties | - | 1,681 | - | 1,681 |
| Unrealised exchange loss on borrowings (note 27) | 29,779 | 8,056 | - | - |
| Interest expense on borrowings | 11,235 | 10,986 | 155 | 123 |
| Interest expense on lease liabilities (note 33) | 784 | 1,419 | 370 | 900 |
| Interest income (note 6) | (70,655) | (30,033) | (25,264) | (13,093) |
| Foreign exchange gains on cash and cash equivalents | (22,838) | (3,508) | (22,838) | (1,614) |
| Gain on disposal of assets- discontinued operations | - | 5,322 | - | - |
| Fair value gain on financial assets (note 18) | (67) | (26,841) | (15,882) | (10,851) |
| Changes in working capital items: | | | | |
| - inventories | (8,981) | (118,911) | (15,496) | (47,677) |
| - trade and other receivables | (19,376) | 82,893 | 5,041 | 59,174 |
| - trade and other payables | 12,047 | (21,131) | (24,373) | (3,327) |
| - working capital for the discontinued operations | (26,600) | 10,018 | - | - |
| - post-employment benefits obligation | (9,391) | (128,935) | 11,482 | (68,463) |
| Cash generated from operations | 1,017,091 | 688,078 | 235,878 | 301,150 |

Notes (continued)

31 RELATED PARTY TRANSACTIONS

The immediate holding company is Ngong Tea Holdings Limited, a company incorporated in the United Kingdom. The ultimate holding company is Ngong Tea Ltd, a company incorporated in the United Kingdom. The Group and Company transacts with other companies related to them by virtue of common shareholding.

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

| | 2023 Shs'000 | 2022 Shs'000 |
|--|-----------------|-----------------|
| Royalties and licenses (George Williamson & Co Limited – parent) | 109,930 | 84,006 |
| Agency commission and charges received (Kapchorua Tea Company Limited – associate) | 70,343 | 55,128 |

The outstanding balances with related parties were as follows:

| | Group | | Company | |
|---------------------------------------|-----------------|-----------------|-----------------|-----------------|
| | 2023 Shs'000 | 2022 Shs'000 | 2023 Shs'000 | 2022 Shs'000 |
| Due from associate company | | | | |
| Kapchorua Tea Kenya Plc | 9,705 | 19,994 | 612 | 9,525 |
| Due from subsidiary companies | | | 2023 Shs'000 | 2022 Shs'000 |
| Kaimosi Tea Estates Limited | | | 4,675 | 4,367 |
| Tinderet Tea Estates (1989) Limited | | | 5,722 | 8,865 |
| Williamson Power Limited | | | - | 3,432 |
| | | | 10,397 | 16,664 |
| Due to subsidiary company | | | | |
| Tea Properties Limited | | | 16,183 | 17,422 |
| Williamson Power Limited | | | 24,000 | - |
| Due to associate company-Group | | | | |
| Kapchorua Tea Kenya Plc | | | 4 | 1,434 |

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.

Notes (continued)

31 RELATED PARTY TRANSACTIONS (Continued)

| | Group | | Company | |
|---|-----------------|-----------------|-----------------|-----------------|
| | 2023 Shs'000 | 2022 Shs'000 | 2023 Shs'000 | 2022 Shs'000 |
| The movement in the bad debt provision on receivables from related parties is as follows: | | | | |
| 1 April | 236 | 236 | - | - |
| Credit to profit or loss | (236) | - | - | - |
| At 31 March | - | 236 | - | - |

Compensation of Directors and key management personnel

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

| | 2023 Shs'000 | 2022 Shs'000 |
|--|-----------------|-----------------|
| Non-executive directors' emoluments | | |
| Fees and allowances for services as directors | 12,378 | 12,487 |
| Executive and key management compensation | | |
| Executive fees and allowances | 71,311 | 66,285 |
| Key management compensation | 54,181 | 71,326 |
| | 125,492 | 137,611 |

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

32 CAPITAL COMMITMENTS

| | Group | | Company | |
|-----------------------------------|-----------------|-----------------|-----------------|-----------------|
| | 2023 Shs'000 | 2022 Shs'000 | 2023 Shs'000 | 2022 Shs'000 |
| Authorized but not contracted for | 62,356 | 150,697 | 52,258 | 86,799 |
| Authorized and contracted for | 222,797 | 81,545 | 106,615 | 33,812 |
| | 285,153 | 232,242 | 158,873 | 120,611 |

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

| | Group | | Company | |
|---------------------------------------|-----------------|-----------------|-----------------|-----------------|
| | 2023 Shs'000 | 2022 Shs'000 | 2023 Shs'000 | 2022 Shs'000 |
| 33 LEASE LIABILITIES | | | | |
| At start of year | 14,942 | 22,258 | 8,618 | 14,698 |
| Interest expense on lease liabilities | 784 | 1,419 | 370 | 900 |
| Lease payments | (8,875) | (8,735) | (7,120) | (6,980) |
| At end of year | 6,851 | 14,942 | 1,868 | 8,618 |

Notes (continued)

| | Group | | Company | |
|--|-----------------|-----------------|-----------------|-----------------|
| | 2023 Shs'000 | 2022 Shs'000 | 2023 Shs'000 | 2022 Shs'000 |
| 33 LEASE LIABILITIES (Continued) | | | | |
| Maturity analysis | | | | |
| Year 1 | 9,097 | 8,585 | 1,868 | 6,830 |
| Year 2 | 3,623 | 9,097 | - | 7,342 |
| Year 3 | 1,755 | 3,623 | - | 1,868 |
| Year 4 | 1,755 | 1,755 | - | - |
| Year 5 | 1,755 | 1,755 | - | - |
| Undiscounted lease payments at the end of the year | 17,985 | 24,815 | 1,868 | 16,041 |
| Less unearned interest | (11,134) | (9,873) | - | (7,422) |
| | <u>6,851</u> | <u>14,942</u> | <u>1,868</u> | <u>8,618</u> |
| Analysed as: | | | | |
| Current | 3,323 | 3,879 | 1,868 | 2,538 |
| Non-current | 3,528 | 11,063 | - | 6,080 |
| | <u>6,851</u> | <u>14,942</u> | <u>1,868</u> | <u>8,618</u> |

34 CONTINGENT LIABILITIES

The Group and the Company are exposed to various contingent liabilities in the normal course of business. The Directors evaluate the status of these exposures on a regular basis based on advice from the legal advisors to assess the probability of the company incurring related liabilities. However, provisions are only made in the financial statements where, based on the Directors' evaluation, a probable obligation has been established. As at 31 March 2023, there were no material contingent liabilities (2022: Nil).

The Group has guarantees amounting to Shs 12,200,000 (Company: Nil), issued on its behalf by banks in the normal course of business from which it is anticipated that no material liabilities will arise.

35 CAPITAL MANAGEMENT

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

The capital structure of the Group and the Company consist of debt, which includes the borrowings disclosed in Note 27, cash and cash equivalents and equity attributable to equity holders, comprising issued capital, revaluation reserve and retained earnings.

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

Notes (continued)

35 CAPITAL MANAGEMENT (Continued)

| | 2023 Shs'000 | Group 2022 Shs'000 |
|---------------------------------|--------------------|--------------------------|
| Share capital | 87,563 | 87,563 |
| Retained earnings | 4,984,848 | 4,754,004 |
| Revaluation surplus | 1,205,091 | 1,256,627 |
| | <u>6,277,502</u> | <u>6,098,194</u> |
| Equity | <u>6,277,502</u> | <u>6,098,194</u> |
| Total borrowings | 195,754 | 204,040 |
| Total lease liabilities | 6,851 | 14,942 |
| Less: cash and cash equivalents | (1,475,148) | (1,068,830) |
| | <u>(1,272,543)</u> | <u>(849,848)</u> |
| Net debt | <u>(1,272,543)</u> | <u>(849,848)</u> |
| Gearing ratio | <u>Nil</u> | <u>Nil</u> |

36 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks, including credit risk and the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance. Risk management is carried out by the finance department under policies approved by the Board of Directors. Finance department identifies, evaluates and hedges financial risks as appropriate. The Board guidance on the overall risk management, as well as directors' policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, use of non-derivative financial instruments and investing excess liquidity.

Financial risks arising from use of financial instruments

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

- credit risk;
- liquidity risk and
- market risk.

Credit risk

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

Notes (continued)

36 FINANCIAL RISK MANAGEMENT (Continued)

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

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

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

31 March 2023

| Group | 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 | 21 | Performing | Lifetime ECL (simplified approach) | 157,187 | - | 157,187 |
| Staff receivables | 21 | Performing | General measurement model | 71,414 | - | 71,414 |
| Due from associate company | 31 | Performing | General measurement model | 9,705 | - | 9,705 |
| Bank balance | 22 | Performing | 12 months ECL | 273,802 | - | 273,802 |
| Short term deposits | 22 | Performing | 12 months ECL | 1,201,346 | - | 1,201,346 |
| | | | | 1,713,454 | - | 1,713,454 |

31 March 2022

| Group | 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 | 21 | Performing | Lifetime ECL (simplified approach) | 169,865 | - | 169,865 |
| Staff receivables | 21 | Performing | General measurement model | 75,246 | - | 75,246 |
| Due from associate company | 31 | Performing | General measurement model | 19,994 | - | 19,994 |
| Bank balance | 22 | Performing | 12 months ECL | 227,956 | - | 227,956 |
| Short term deposits | 22 | Performing | 12 months ECL | 840,874 | - | 840,874 |
| | | | | 1,333,935 | - | 1,333,935 |

Notes (continued)

36 FINANCIAL RISK MANAGEMENT (continued)

Financial risks arising from use of financial instruments (continued)

Credit risk (continued)

| | Note | Internal/ external rating | 12 months or lifetime ECL | Gross carrying amount Shs'000 | Loss allowance Shs'000 | Net amount Shs'000 |
|--|------|---------------------------------|---------------------------------------|--|------------------------------|-----------------------|
| 31 March 2023 | | | | | | |
| Company | | | | | | |
| Trade and other receivables | 21 | Performing | Lifetime ECL (simplified approach) | 59,553 | - | 59,553 |
| Staff receivables Due from associate company | 21 | Performing | General measurement model | 49,789 | - | 49,789 |
| Due from subsidiary companies | 31 | Performing | General measurement model | 10,048 | - | 10,048 |
| | 31 | Performing | Lifetime ECL (simplified approach) | 16,183 | - | 16,183 |
| Bank balance | 22 | Performing | 12 months ECL | 57,358 | - | 57,358 |
| Short term deposits | 22 | Performing | 12 months ECL | 304,690 | - | 304,690 |
| | | | | 497,621 | - | 497,621 |
| 31 March 2022 | | | | | | |
| Company | | | | | | |
| Trade and other receivables | 21 | Performing | Lifetime ECL (simplified approach) | 56,218 | - | 56,218 |
| Staff receivables Due from associate company | 21 | Performing | General measurement model | 51,065 | - | 51,065 |
| Due from subsidiary companies | 31 | Performing | General measurement model | 19,994 | - | 19,994 |
| | 31 | Performing | Lifetime ECL (simplified approach) | 17,440 | - | 17,440 |
| Bank balance | 22 | Performing | 12 months ECL | 93,443 | - | 93,443 |
| Short term deposits | 22 | Performing | 12 months ECL | 379,061 | - | 379,061 |
| | | | | 617,221 | - | 617,221 |

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.

Notes (continued)

36 FINANCIAL RISK MANAGEMENT (continued)

Financial risks arising from use of financial instruments (continued)

Credit risk (continued)

Trade receivables

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

Trade receivables are considered to be low risk as the Group and Company mainly makes sales through auctions which have a short credit period and are regulated and to export customers who are required to make payments before the goods can be collected at the port. On that basis, the loss allowance as at 31 March 2023 was determined as follows for trade receivables:

Group

| 2023 | Trade and other receivables – days past due | | | | | Total |
|--|---|--------|---------|---------|----------|---------|
| | Not Due | < 30 | 31 – 60 | 61 - 90 | 91 - 120 | |
| Gross carrying amount -Trade receivables (Shs) | 72,325 | 56,167 | 24,153 | 8,516 | (3,974) | 157,187 |
| Expected credit loss allowance (Shs) | - | - | - | - | - | - |
| Net amount | 72,325 | 56,167 | 24,153 | 8,516 | (3,974) | 157,187 |

Group

| 2022 | Trade and other receivables – days past due | | | | | Total |
|--|---|--------|---------|---------|----------|---------|
| | Not Due | < 30 | 31 – 60 | 61 - 90 | 91 - 120 | |
| Gross carrying amount -Trade receivables (Shs) | 146,198 | 21,550 | 672 | 1,445 | - | 169,865 |
| Expected credit loss allowance (Shs) | - | - | - | - | - | - |
| Net amount | 146,198 | 21,550 | 672 | 1,445 | - | 169,865 |

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 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 collateral for the employees with development loans as at year end amounted to Shs 71,413,000.

Notes (continued)

36 FINANCIAL RISK MANAGEMENT (continued)

Financial risks arising from use of financial instruments (continued)

Credit risk (continued)

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 2023, the loss allowance on trade receivables would have been Shs Nil (2022: Nil) and Shs Nil (2022 -Nil) higher (lower) for Group and Company respectively.

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

Liquidity risk

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

The following table analyses the Group's financial liabilities and assets that will be settled/mature 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

| Group | Up to 1month Shs'000 | 2-3 months Shs'000 | 4-12 Months Shs'000 | 2-5 years Shs'000 | Over 5 years Shs'000 | Total Shs'000 |
|------------------------------|-------------------------------------|-----------------------------------|------------------------------------|----------------------------------|-------------------------------------|--------------------------|
| Financial liabilities | | | | | | |
| At 31 March 2023 | | | | | | |
| Trade payables | 42,173 | - | - | - | - | 42,173 |
| Borrowings | 6,047 | 11,413 | 31,284 | 147,010 | - | 195,754 |
| Lease liabilities | 1,121 | 7,976 | 3,623 | 3,510 | 1,755 | 17,985 |
| | <u>49,341</u> | <u>19,389</u> | <u>34,907</u> | <u>150,520</u> | <u>1,755</u> | <u>255,912</u> |
| At 31 March 2022 | | | | | | |
| Trade payables | 61,010 | - | - | - | - | 61,010 |
| Borrowings | 2,808 | 5,660 | 25,923 | 169,649 | - | 204,040 |
| Lease liabilities | 1,134 | 7,451 | 9,097 | 5,378 | 1,755 | 24,815 |
| | <u>64,952</u> | <u>13,111</u> | <u>35,020</u> | <u>175,027</u> | <u>1,755</u> | <u>289,865</u> |

Notes (continued)

36 FINANCIAL RISK MANAGEMENT (continued)

Financial risks arising from use of financial instruments (continued)

Liquidity risk (continued)

| Company | Up to 1month Shs'000 | 2-3 months Shs'000 | 4-12 months Shs'000 | 2-5 years Shs'000 | Over 5 years Shs'000 | Total Shs'000 |
|------------------------------|----------------------------|--------------------------|---------------------------|-------------------------|----------------------------|------------------|
| Financial liabilities | | | | | | |
| At 31 March 2023 | | | | | | |
| Trade payables | 12,564 | - | - | - | - | 12,564 |
| Lease liability | 623 | 1,245 | - | - | - | 1,868 |
| Due to associate company | 16,183 | - | - | - | - | 16,183 |
| | <u>29,370</u> | <u>1,245</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>30,615</u> |
| At 31 March 2022 | | | | | | |
| Trade payables | 26,798 | - | - | - | - | 26,798 |
| Lease liability | 712 | 1,724 | 11,736 | 1,868 | - | 16,040 |
| Due to associate company | 17,422 | - | - | - | - | 17,422 |
| Due to subsidiaries | 5,108 | - | - | - | - | 5,108 |
| | <u>50,040</u> | <u>1,724</u> | <u>11,736</u> | <u>1,868</u> | <u>-</u> | <u>65,368</u> |

Market risk

Market Risk is the risk of loss arising from potential adverse changes in the value of the group 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 group 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 Group's foreign currency denominated monetary assets and liabilities at the end of the reporting period are as follows:

Group

| 2023 | USD Shs'000 | GBP Shs'000 | EURO Shs'000 |
|------------------------------|----------------|----------------|-----------------|
| Financial assets | | | |
| Bank and cash balances | 878,013 | 884 | 537 |
| Trade receivables | 156,988 | 54 | 60 |
| Financial liabilities | | | |
| Trade payables | (7,256) | - | - |
| Borrowings | (195,754) | - | - |
| | <u>831,991</u> | <u>938</u> | <u>597</u> |
| Net assets | | | |

Notes (continued)

36 FINANCIAL RISK MANAGEMENT (Continued)

Market risk (Continued)

(i) Foreign exchange risk (Continued)

| 2022 | USD Shs'000 | GBP Shs'000 | EURO Shs'000 |
|------------------------------|-----------------------|----------------------|-------------------|
| Financial assets | | | |
| Bank and cash balances | 168,534 | 2,658 | 158 |
| Trade receivables | 186,844 | 17,611 | - |
| Financial liabilities | | | |
| Trade payables | (6,146) | (373) | - |
| Borrowings | (204,040) | - | - |
| | <u>145,192</u> | <u>19,896</u> | <u>158</u> |
| Net assets | <u><u>145,192</u></u> | <u><u>19,896</u></u> | <u><u>158</u></u> |

Company

2023

Financial assets

| | | | |
|------------------------|--------|-----|-----|
| Bank and cash balances | 22,453 | 341 | 537 |
| Trade receivables | 59,469 | - | - |

Financial liabilities

| | | | |
|----------------|-------|---|---|
| Trade payables | (992) | - | - |
|----------------|-------|---|---|

| | | | |
|------------|---------------|------------|------------|
| Net assets | <u>80,930</u> | <u>341</u> | <u>537</u> |
|------------|---------------|------------|------------|

2022

Financial assets

| | | | |
|------------------------|--------|-----|-----|
| Bank and cash balances | 44,523 | 520 | 158 |
| Trade receivables | 56,113 | - | - |

Financial liabilities

| | | | |
|----------------|------|---|---|
| Trade payables | (37) | - | - |
|----------------|------|---|---|

| | | | |
|------------|----------------|------------|------------|
| Net assets | <u>100,599</u> | <u>520</u> | <u>158</u> |
|------------|----------------|------------|------------|

Notes (continued)

36 FINANCIAL RISK MANAGEMENT (Continued)

Market risk (Continued)

(i) Foreign exchange risk (Continued)

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

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

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

| | 2023 Shs'000 | | 2022 Shs'000 | |
|-------------------------------|---------------------|---------------------|---------------------|---------------------|
| | Effect on profit | Effect on equity | Effect on Profit | Effect on equity |
| Currency - GB pounds | | | | |
| + 1 percentage point movement | 9 | 6 | 199 | 140 |
| - 1 percentage point movement | (9) | (6) | (199) | (140) |
| Currency - US dollars | | | | |
| + 1 percentage point movement | 8,342 | 5,839 | 1,452 | 1,017 |
| - 1 percentage point movement | (8,342) | (5,839) | (1,452) | (1,017) |
| Currency - Euro | | | | |
| + 1 percentage point movement | 6 | 4 | 2 | 1 |
| - 1 percentage point movement | (6) | (4) | (2) | (1) |

(iii) Interest rate risk

Interest rate risk is the risk that the future cash flows of financial instruments will fluctuate because of changes in the market interest rates. This risk may arise from fluctuations in the bank borrowing rates. The interest rates vary from time to time depending on the prevailing economic circumstances. The Group closely monitors the interest rate trends to minimize the potential adverse impact of interest rate changes.

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

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

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

| | 2023 Shs'000 | | 2022 Shs'000 | |
|-------------------------------|---------------------|---------------------|---------------------|---------------------|
| | Effect on profit | Effect on equity | Effect on profit | Effect on equity |
| + 1 percentage point movement | 903 | 632 | 74 | 52 |
| - 1 percentage point movement | (903) | (632) | (74) | (52) |

Notes (continued)

36 FINANCIAL RISK MANAGEMENT (Continued)

Financial risks arising from involvement in agricultural activity

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

37 FAIR VALUE OF ASSETS AND LIABILITIES

a) Fair value hierarchy

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

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

| Group | Level 1 Shs'000 | Level 2 Shs'000 | Level 3 Shs'000 |
|-------------------------------|----------------------------|----------------------------|----------------------------|
| 31 March 2023 | | | |
| Assets | | | |
| Investment properties | - | 398,100 | - |
| Property, plant and equipment | | | |
| -Buildings | - | - | 1,059,770 |
| -Machinery and equipment | - | - | 1,392,858 |
| Biological assets: | | | |
| -Timber and fuel trees | - | - | 721,063 |
| -Un-harvested green leaf | - | 27,088 | - |
| | | | |
| | Level 1 Shs'000 | Level 2 Shs'000 | Level 3 Shs'000 |
| 31 March 2022 | | | |
| Assets | | | |
| Investment properties | - | 398,100 | - |
| Property, plant and equipment | | | |
| -Buildings | - | - | 1,284,556 |
| -Machinery and equipment | - | - | 1,453,612 |
| Biological assets: | | | |
| -Timber and fuel trees | - | - | 721,386 |
| -Un-harvested green leaf | - | 16,430 | - |

Notes (continued)

37 FAIR VALUE OF ASSETS AND LIABILITIES (Continued)

a) Fair value hierarchy (Continued)

| Company | Level 1 Shs'000 | Level 2 Shs'000 | Level 3 Shs'000 |
|-------------------------------|--------------------|--------------------|--------------------|
| 31 March 2023 | | | |
| Assets | - | 398,100 | - |
| Investment properties | | | |
| Property, plant and equipment | | | |
| -Buildings | - | - | - |
| -Machinery and equipment | - | - | - |
| Biological assets | | | |
| - Timber and fuel trees | - | - | 218,876 |
| - Un-harvested green leaf | - | 14,442 | - |
| | ===== | ===== | ===== |
| 31 March 2022 | | | |
| Assets | | | |
| Investment properties | - | 398,100 | - |
| Property, plant and equipment | | | |
| - Buildings | - | - | - |
| - Machinery and equipment | - | - | - |
| Biological assets | | | |
| - Timber and fuel trees | - | - | 231,558 |
| - Un-harvested green leaf | - | 13,717 | - |
| | ===== | ===== | ===== |

38 OPERATING LEASE COMMITMENTS

The Group as a lessor

Property rental income earned during the year amounted to Shs 3,390,000 (2022 – Shs 3,650,000). At the end of the reporting period, the Group had contracted with tenants for the following future lease receivables.

| | 2023 Shs'000 | 2022 Shs'000 |
|-----------------|-----------------|-----------------|
| Within one year | 1,000 | 1,140 |
| Over one year | - | - |
| | ===== | ===== |
| | 1,000 | 1,140 |

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

Notes (continued)

39 DISCONTINUED OPERATIONS

In the financial year ended 31 March 2021, the directors resolved to offer Williamson Power as a going concern to its management and staff, and the entity effectively ceasing to be a subsidiary of Williamson Tea Kenya Plc. The decision to dispose Williamson Power Limited was consistent with the Group's long-term policy of focusing on its core business of cultivation, manufacture and sale of tea. Williamson Power operations have since been classified as a disposal held for sale and presented separately in the Group statement of financial position. In the current year, the liquidators issued their final report and a shareholders' meeting has been scheduled for purposes of concluding the winding up process.

The results of the discontinued operations, which have been included in the profit for the year, were as follows:

| | 2023 Shs'000 | 2022 Shs'000 |
|---|-----------------|-----------------|
| Revenue | - | 4,236 |
| Cost of sales | - | (9,045) |
| | <hr/> | <hr/> |
| Gross loss | - | (4,809) |
| Other income | 1,048 | (5,399) |
| Administrative expenses | (1,548) | (1,445) |
| Interest income | 796 | 1,221 |
| | <hr/> | <hr/> |
| Profit/(loss) before income tax | 296 | (10,432) |
| Tax expense | (365) | (6) |
| | <hr/> | <hr/> |
| Loss after income tax | (69) | (10,438) |
| | <hr/> | <hr/> |
| Trade and other receivables | 1,697 | 3,838 |
| Due from group companies | 24,000 | - |
| Tax recoverable | 6,414 | 6,224 |
| Cash and bank balances | 1,760 | 28,360 |
| | <hr/> | <hr/> |
| Assets classified as held for sale | 33,871 | 38,422 |
| Due to related parties | - | 3,660 |
| Trade and other payables | - | 972 |
| | <hr/> | <hr/> |
| Liabilities directly associated with assets classified as held for sale | - | 4,632 |
| | <hr/> | <hr/> |
| Net assets classified as held for sale | 33,871 | 33,790 |
| | <hr/> <hr/> | <hr/> <hr/> |