KTDA

KENYA TEA DEVELOPMENT AGENCY HOLDINGS LIMITED

Annual Report and Financial Statements for the Year ended June 2016

Global Leader in Quality Teas

KTDA
KENYA TEA DEVELOPMENT AGENCY (HOLDINGS) LTD.

KTDA HOLDINGS STRUCTURE

SMALLHOLDER TEA FARMERS

More than 560,000 smallholder farmers

KTDA – KENYA TEA DEVELOPMENT AGENCY (HOLDINGS) LTD

Owned by 54 factory companies, in turn owned by farmers

KTDA – KENYA TEA DEVELOPMENT AGENCY (MS) LTD.

Tea Cultivation, Payments, Processing & Marketing

CHAI – TRADING COMPANY LIMITED

Tea Trading & Warehousing

Greenland Fedha

Micro Finance Services

Majani Insurance Brokers Ltd.

Insurance & Brokerage

KETEPA

Tea Blending, Packaging and Marketing

KTDA POWER

Hydropower Generation

TEMEC built on excellence – TEA MACHINERY & ENGINEERING COMPANY

Tea Machinery & Engineering company

KTDA FOUNDATION

Focus on CSR activities

Global Leader in Quality Teas

@ktdatea

Kenya Tea Development Agency Holdings Ltd

www.ktdateas.com

Vision

To be the preferred investment vehicle for the small holder tea farmers in Eastern Africa.

Mission Statement

To invest in tea and other related profitable ventures for the benefit of shareholders and other stakeholders.

Core Values

Core values are the ideals and enduring principles that underpin the institution's performance and culture. To this end, the following form the fundamentals of KTDA (H) Ltd core values:

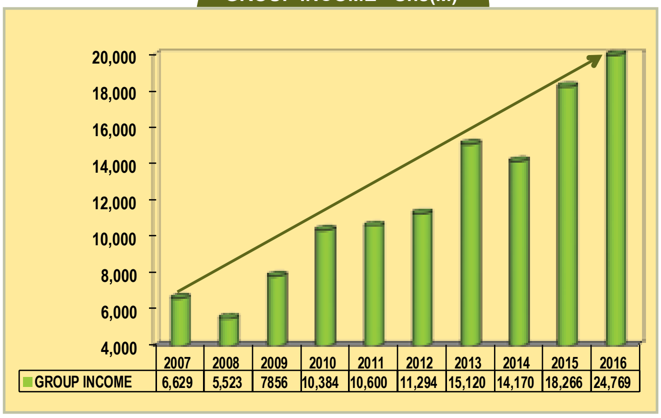
- Customer focus
- High standards of ethical practices
- Social responsibility
- Innovation
- Equal opportunity employer
- Team work

Quality Policy

KTDA is committed to effective management services to the smallholder tea sub-sector in the production, processing and marketing of high quality tea for the benefit of our farmers and other stakeholders. Our key goal and objective is to meet and exceed our customers' expectations in providing quality products and associated services. We shall endeavour to continually maintain and improve efficient and effective Quality Management Systems meeting both regulatory and the ISO 9001:2008 requirements.

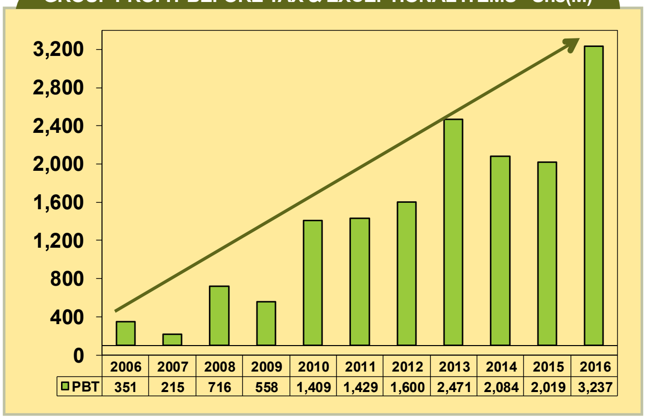
CONTENTS

GROUP INCOME - Shs(M)



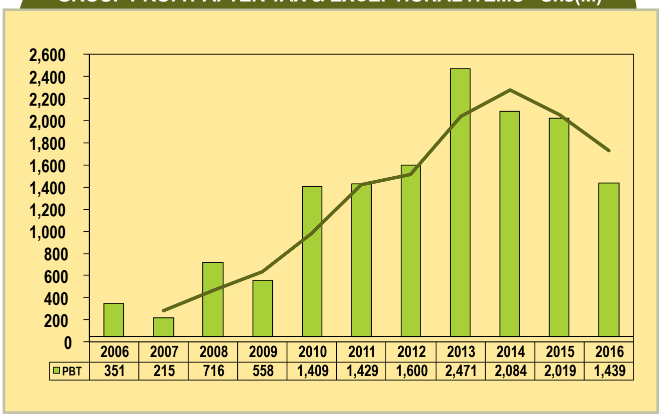
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
GROUP INCOME	6,629	5,523	7856	10,384	10,600	11,294	15,120	14,170	18,266	24,769

GROUP PROFIT BEFORE TAX & EXCEPTIONAL ITEMS - Shs(M)



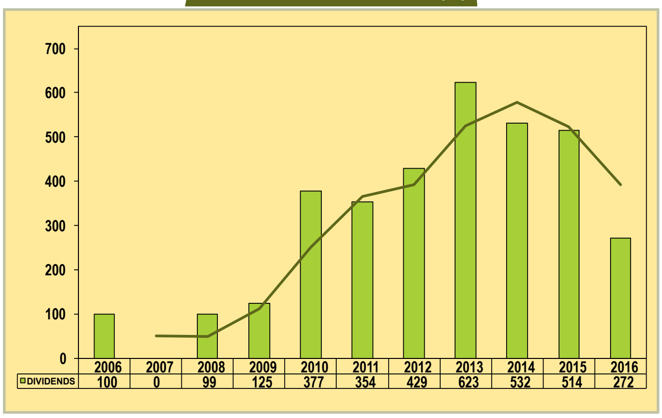
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
PBT	351	215	716	558	1,409	1,429	1,600	2,471	2,084	2,019	3,237

GROUP PROFIT AFTER TAX & EXCEPTIONAL ITEMS - Shs(M)



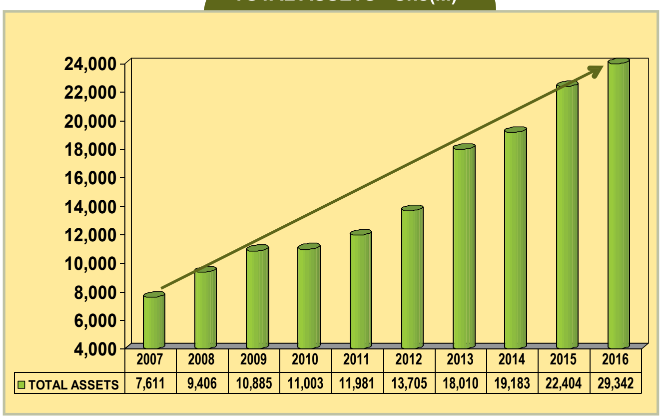
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
PBT	351	215	716	558	1,409	1,429	1,600	2,471	2,084	2,019	1,439

DIVIDENDS PAYOUT - Shs(M)



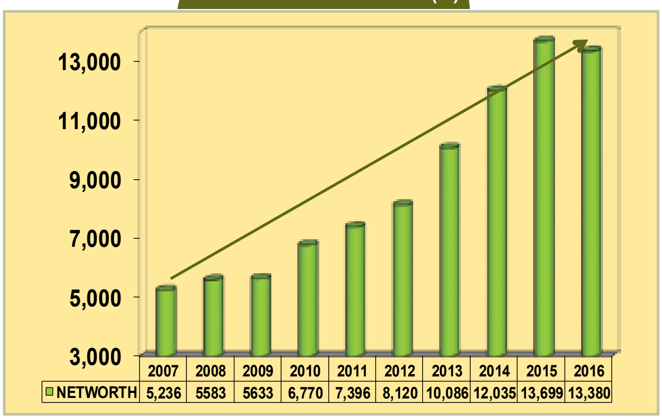
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
DIVIDENDS	100	0	99	125	377	354	429	623	532	514	272

TOTAL ASSETS - Shs(M)



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
TOTAL ASSETS	7,611	9,406	10,885	11,003	11,981	13,705	18,010	19,183	22,404	29,342

GROUP NETWORTH - Shs(M)



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
NETWORTH	5,236	5583	5633	6,770	7,396	8,120	10,086	12,035	13,699	13,380

REGISTERED OFFICE
KTDA Farmers Building, Moi Avenue/Ronald Ngala Lane
P.O. Box 30213 GPO 00100, Tel: 3227000, Nairobi
Fax: 211240, 210636
Email: info@ktdateas.com
Website: www.ktdateas.com

DIRECTORS

P. T. Kanyago MBS, EBS	-	Zone 4/Chairman
P. Ngetich OGW,MBS	-	Zone 8/Vice Chairman
Eng. J. M. Wakimani	-	Zone 1
Eng. E. Gakuya	-	Zone 2
F.M. Mark	-	Zone 3
J. N. Karua	-	Zone 5
S. M. Ireri	-	Zone 6
P. M. Ringera, HSC	-	Zone 7
S. C. Tonui	-	Zone 9
J. Achoki	-	Zone 10
B. O. Matonda	-	Zone 11
J. M. Mukavale	-	Zone 12
I . Gaha (Ms)	-	Independent Director
L. S. Tiampati, MBS	-	Chief Executive Officer / Managing Director
B. K. Ngari	-	Finance & Strategy Director

SECRETARY
J. K. Omanga

MANAGEMENT

L. S. Tiampati MBS	-	Chief Executive Officer / Managing Director
B. K. Ngari	-	Finance & Strategy Director
J. K. Omanga	-	Group Company Secretary
A. Otochi	-	Managing Director – Kenya Tea Packers Limited
C. Mbui	-	Managing Director - Chai Trading Company Limited
M. Gitonga (Ms)	-	General Manager - Majani Insurance Brokers Limited
A. Gathuku (Ms)	-	General Manager – Greenland Fedha Limited
L. Maina	-	General Manager – KTDA Power Company Limited
S. Miencha	-	General Manager – Tea Machinery & Engineering Co Ltd
A. Njagi	-	General Manager – Operations (MS)
P. Ndivo	-	Group General Manager – Human Resources & Administration
J. Bett	-	General Manager - Sales and Marketing (MS)
D. Mbugua	-	General Manager - ICT
S. Gikang'a	-	General Manager - Chai Trading Company Limited
B. Kanampiu	-	Group Head of Procurement
L. Munyao	-	Group General Manager- Audit
N. Kithae	-	Group Head of Corporate Affairs
F. Miano	-	Group Head of Technical Services
S. Rugutt	-	Financial Controller

SUBSIDIARY COMPANIES
Majani Insurance Brokers Limited
Chai Trading Company Limited
Kenya Tea Packers Limited
Tea Machinery and Engineering Company Limited
KTDA Management Services Limited
Greenland Fedha Limited
KTDA Foundation
KTDA Power Company Limited
Chai Trading Company DMCC

INDEPENDENT AUDITOR
PricewaterhouseCoopers
PwC Towers
Waiyaki Way/ Chiromo road, Westlands
P.O. Box 43963 - 00100,
Tel: +254 20 2855000
NAIROBI, KENYA

MAIN BANKERS
Commercial Bank of Africa Limited
Mama Ngina Street Branch
P.O. Box 30437, Nairobi
Tel: +254 20 2228802

Kenya Commercial Bank Limited
Moi Avenue Branch
P.O. Box 30081, Nairobi
Tel: +254 20 2244939

Family Bank Limited
KTDA Plaza Corporate Branch
P.O Box 74145 -00200 Nairobi
Tel: +254 20 241852/+254 20 210088

Barclays Bank of Kenya Ltd
Barclays Plaza Branch
P.O. Box 40984, Nairobi
Tel: +254 20 3267000

Citi Bank
Nairobi Branch
P.O .Box 30711-00100 Nairobi
Tel: +254 20 2718704

CFC Stanbic Bank
Chiromo Branch
P.O Box 30550-00100, Nairobi
Tel: +254 20 3638113

NOTICE IS HEREBY GIVEN THAT THE SIXTEENTH (16TH) ANNUAL GENERAL MEETING OF THE SHAREHOLDERS WILL BE HELD AT INTERCONTINENTAL HOTEL, (MARA SOUTH ROOM), NAIROBI, ON THURSDAY 8TH DECEMBER 2016, AT 10.30 A.M. TO TRANSACT THE FOLLOWING BUSINESS: -

ORDINARY BUSINESS

1. To receive and adopt the financial statements for the year ended 30th June 2016 together with the reports of the Chairman, Directors and Auditors thereon.

2. To consider and if deemed appropriate to declare a final dividend of Kshs 272,445,300 @ Kshs 539.07 per share payable to members on the Register at the close of business on 30th June 2016.

3. To approve the Directors' remuneration of Kshs. 3,871,774 as at 30th June 2016 and Kshs 5,070,000 for the year ending 30th June 2017.

4. To note that Messrs PricewaterhouseCoopers continue in office as Auditors by virtue of section 721 (2) of the Companies Act, 2015 and to authorise the directors to fix the auditors remuneration for the ensuing financial year (PwC have expressed their willingness to continue as Company Auditors)

5. To elect Directors representing Zones 2, 7 and 8 following their nomination by directors of their respective zones.

    i. Eng. Erastus Gakuya - Zone 2
    ii. Mr. Paul M. Ringera HSC - Zone 7
    iii. Mr. Philip Ng'etich MBS OGW - Zone 8

BY ORDER OF THE BOARD

CS. JOHN KENNEDY OMANGA
COMPANY SECRETARY (REG NO. 654)

Dated at Nairobi this 15th day of November 2016

DIRECTORS

Peter T. Kanyago, MBS, EBS
Chairman

Mr. Kanyago holds an MBA in Industrial Management from Pacific States University. He is a Fellow of the Chartered Certificate of Accounts (FCCA), Fellow of Certified Public Accountant of Kenya (FCPA-K), Fellow of Kenya Institute of Management (FKIM), and also a Certified Public Secretary of Kenya (CPS-K).

He serves on the boards of East Africa Cables Ltd., Eco Bank Tanzania Ltd., and Corporate Insurance Company Limited. Mr. Kanyago previously served as the Chairman of Ecobank Kenya Limited. He is the Chairman of East African Elevator Co. Ltd. and Kenya Open Golf Ltd. He is also the patron of Gathera Secondary School.

He sits on the boards of several Tea Factory Companies and KTDA Holdings' subsidiaries.

Philip K. Ng'etich, OGW, MBS
Vice Chairman

Mr. Ng'etich holds a Diploma in Agriculture from Siriba College, Maseno. He also holds a Certificate in Management Today Programme from Industrial Society, London, UK, a Certificate in Marketing from the Chartered Institute of Marketing, UK, and a Certificate in Marketing from Marketing Society of Kenya, as well as an Advanced Certificate in Management from the Kenya Institute of Management (KIM).

He is currently pursuing a Diploma in Management. Mr. Ng'etich served as District Agricultural Officer in the Ministry of Agriculture and was seconded to KTDA in 1965. He also served as District Tea Officer in Kakamega, Nandi, Kitale and Kericho districts.

He joined KETEPA in January 1978 where he served as a manager and later as a CEO for 22 years. He was also the first Chairman of the Tea Research Foundation of Kenya (TRFK), from January 1981 to October 1984.

He sits on the boards of several Tea Factory Companies and KTDA Holdings' subsidiaries.

Eng. Joseph M. Wakimani
Director

Eng. Wakimani holds an MSc degree in Highway Engineering from Birmingham University, UK and a Bsc (Hons) Degree in Civil Engineering from the University Of Nairobi. He has over 30 years' experience in Engineering Design, Construction and Management.

He is a member of the UK Institute of Highways and Transportation, a registered professional engineer with the Engineers Board of Kenya (EBK) and a corporate member of the Institute of Engineers of Kenya.

He is currently an engineering consultant and is a director of Frame Consulting Engineers Ltd. He previously worked at Chevron Kenya as Area Maintenance and Construction Manager in charge of five countries.

He sits on the boards of several Tea Factory Companies and KTDA Holdings' subsidiaries.

Eng. Erastus Gakuya
Director

Eng. Gakuya holds a Bsc (Hons) degree in Mechanical Engineering from the University of Nairobi. He is a registered engineer with the Engineers Board of Kenya (EBK).

He has wide experience in manufacturing and engineering and has held high ranking positions in several manufacturing companies in Kenya.

He sits on the boards of several Tea Factory Companies and KTDA Holdings' subsidiaries.

Samuel C. Tonui
Director

Mr. Tonui holds an MBA and a Bachelors degree. He is a registered accountant and member of the Institute of Certified Public Accountants of Kenya (ICPAK).

He has worked in the NGO sector for over 25 years as a Finance Manager and is a long serving treasurer of CPK Eldoret Sacco and Nile Investment Cooperative Society. Mr. Tonui sits in the Board of Management of Rusenya High School and is a council member of Theological College, Kapsabet, where he currently serves as the treasurer.

He sits on the boards of several Tea Factory Companies and KTDA Holdings' subsidiaries.

Samuel Ireri
Director

Mr. Ireri holds a Diploma in Human Resource Management from the University of Nairobi and is currently pursuing a degree in Project Management from the same university.

He is a director of Hanken Enterprises Company and Jatimo Company Ltd, as well as a member of Kwivotora self-help group and has previously worked with HZ Construction Company and Mugoya Construction Company.

He is a board member of Mugui and Nguviu Girls Secondary Schools.

He sits on the boards of several Tea Factory Companies and KTDA Holdings' subsidiaries.

Paul M. Ringera, Hsc
Director

Mr. Ringera is a graduate of Kenyatta University. He worked as a teacher in various institutions and retired at the rank of principal. He has also served as an examiner and assistant chief examiner at the Kenya National Examination Council.

He is the treasurer for the Meru Central District Development Forum, and a director of the Greater Meru Power Company Limited and Mwigiki Farmers Company Ltd.

He sits on the boards of several Tea Factory Companies and KTDA Holdings' subsidiaries.

Javan M. Mukavale
Director

Mr. Mukavale holds an LLB degree from the University of Nairobi and a Diploma in Law from Kenya School of Law. He is a Commissioner of Oaths and a member of Kenya Institute of Management. He has been in private legal practice since 1990.

He is a member of the Rotary Club of Kakamega, a member of Kenya Red Cross Society, a life-time member of the Child Welfare Society where he serves as Chairman of the Kakamega branch. He has served as a member of the Masinde Muliro University Council and is a member of the Cooperative Tribunal.

He sits on the boards of several Tea Factory Companies and KTDA Holdings' subsidiaries.

Jeffithah Karua
Director

Mr. Karua holds an executive Master of Education Degree (Leadership and Policy Studies) from Karatina University and is a graduate of Kenyatta University. He also holds a Diploma in Education from Kenya Science Teachers College.

Mr. Karua previously served as the Treasurer, Kenya Secondary Schools Heads Association, Central Province Branch. He has also served as a teacher in several secondary schools and as the Principal of Rwambiti and Mutige Secondary Schools.

He sits on the boards of several Tea Factory Companies and KTDA Holdings' subsidiaries.

Benjamin Matonda
Director

Mr. Matonda trained as a teacher at Kabianga Teachers College. He later became a Headmaster and rose through the ranks to become an Education Officer. He is a former Director of Gusii Mwalimu Sacco and sits on the boards of several Tea Factory Companies and KTDA Holdings' subsidiaries.

James Achoki
Director

James Achoki holds a Masters Degree in Leadership and Policy in Education from Moi University and a BA Degree in Education. He has over 20 years' experience in teaching and has served as principal of several secondary schools around the country.

He sits on the boards of several Tea Factory Companies and KTDA Holdings' subsidiaries.

Francis Macharia Mark
Director

Mr. Macharia holds a Bachelor's degree in Education (Mathematics) from McGill University, Canada and is also a graduate of Kenya Science Teacher's College. He has served as principal of various secondary schools and is a former lecturer at Kenya Science Teacher's College.

Mr. Macharia has served as a board member of Karuri Secondary School and a member of the Kangema District Education Board. He also served as CDF committee member of Kangema Constituency.

Mr. Macharia is a long serving Chairman of Kihoto Investment Company Limited, a director of Forty Welfare Association, as well as a prominent businessman in Nairobi.

He sits on the boards of several Tea Factory Companies and KTDA Holdings' subsidiaries.

Isabella Gaha (Ms)
Director

Isabella Gaha is a KTDA (H) Limited independent director. She holds an MBA from IE Business School in Madrid, Spain and a Bsc degree in Mechanical Engineering from the Jomo Kenyatta University of Agriculture and Technology. She is a Certified Public Accountant of Kenya (CPAK), a member of ICPAK, IOD, ACCA and CISA.

She has previously worked at PricewaterhouseCoopers, Liberty Group, Strathmore University and Wilken Kenya.

Lerionka S. Tiampati, MBS
Group CEO

Mr. Tiampati holds an MSc degree in Marketing and Product Management from the Cranfield Institute of Technology (UK), a degree in Business Administration from the University of Nairobi and a diploma from the Chartered Institute of Marketing (UK).

Prior to joining KTDA, Mr. Tiampati served as the Managing Director of KETEPA. He has also worked as Head of Marketing at Standard Chartered Bank, Marketing Development Manager at Magadi Soda Company and Head of Marketing at the Agricultural Development Corporation.

He sits on the boards of the Standard Group, Family Bank Ltd and all KTDA subsidiaries.

Benson K. Ngari
Finance And Strategy Director

Mr. Ngari holds an MBA in Finance and a Bsc degree from the University of Nairobi. He is a qualified Chartered Accountant (ACA). He was previously the GM, Finance and Strategy at Postal Corporation of Kenya, prior to which he was the Commercial Controller at Kenya Airways. He also held various positions in the Lonrho East Africa Group prior to joining Kenya Airways. He trained and worked with Ernst and Young in the UK and in Kenya as an auditor.

He sits in the Boards of the KTDA Holdings and all its subsidiaries.

CS. John Kennedy Omanga
Group Company Secretary

Mr. Omanga holds a Bachelor of Laws (LLB) degree from the University College of Law Nagpur University, India and a Diploma in Law from The Kenya School of Law.

He previously worked at the Postal Corporation of Kenya, Kenya Posts and Telecommunications Corporation and Kenya National Assurance Company.

He is an advocate of the High Court of Kenya and a registered Certified Public Secretary. He is a commissioner of Oaths and a Notary Public. He was admitted as an Advocate of the High Court of Kenya in 1992 and registered as CPS (K) in 1994.

He is a member of commonwealth Lawyers Association, Law Society of Kenya and Institute of Certified Public Secretaries of Kenya and is the legal Advisor of the Agricultural Society of Kenya (ASK).

"The various **diversification initiatives** are an endeavour to **enhance shareholder value** and will be sustained. These initiatives are meant to **establish more revenue opportunities** for the shareholders."

Peter T. Kanyago, MBS, EBS
Group Chairman

ESTEEMED SHAREHOLDERS

It is my pleasure to present to you the 16th Annual Report and Audited Financial Statements for the year ended 30th June, 2016. The KTDA Group's performance had mixed fortunes affected by high tea production, improved tea prices, weakened Kenya shilling and a volatile financial and stock market which eroded the good performance on tea business.

OVERVIEW OF THE ECONOMY

The country experienced a gross domestic product growth of 5.6% in 2015 compared to 5.3% the previous year. The growth sectors were agriculture, construction, real estate and financial/ insurance services. Sectors that had weakened performance were mining, information and communication, wholesale and retail trade.

Inflation eased from 6.9% to 6.6% in 2015 mostly contributed to lower energy and transport prices. The Kenya shilling weakened against major currencies and the volume of stocks traded at the Nairobi Securities exchange declined significantly which also affected the value of investments in securities equally significantly.

The high tea production, improved tea prices and a weaker Shilling ensured that tea continued to be the number one foreign exchange earner for the country. Our sub-sector maintained its contribution to approximately 59% of total tea production in the country and the balance coming from private tea estates.

GROUP'S FINANCIAL PERFORMANCE

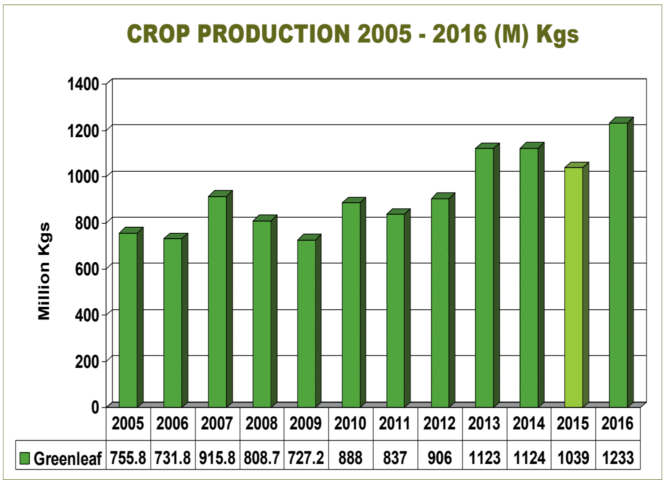
I am happy to report that all the companies were able to turn in some profits except KETEPA which had to deal with reduced margins due to the higher tea prices and had to make certain decisions to turn around the company. Some of the decisions included a voluntary early retirement programme.

The group had also to make provisions for cash investments in two banks that were placed under receivership during the year which also affected the dividends payable.

The dividend proposed is Kshs 272.4 million compared to last year of Kshs 514.5 million.

KTDA MANAGED TEA FACTORY COMPANIES

In the year under review, tea production increased from 1,040 million Kgs of green leaf in 2014-2015 to 1,233 million Kgs in 2015-2016, an increase of 18.6%.



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Greenleaf	755.8	731.8	915.8	808.7	727.2	888	837	906	1123	1124	1039	1233

Made tea prices in US Dollars increased from USD 2.60 to USD 3.07 per Kg over the two years ended 30th June 2015 and 2016 respectively, an increase of 18%.

The Kenya Shilling depreciated against the US Dollar and other major international currencies, trading at an average rate of Kshs 101.6 to the Dollar compared with the average rate of Kshs 98 in the previous year. This positively impacted on the overall tea revenues in Kenya Shillings terms.

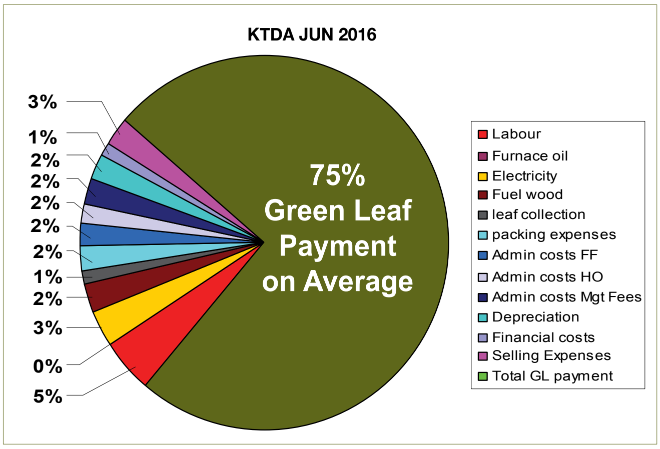
We experienced high rainfall resulting in increased production. This could be as a result of climate change. For this reason, we have identified environmental conservation as one of our key contributions to corporate social responsibility through our CSR vehicle, KTDA Foundation, in collaboration with our Tea Factories and like-minded entities in order to mitigate negative impact of climate change.

Though the general cost of production has continued to escalate due to high fuel, electricity, labour, administrative, financing and transport costs, the company managed to reduce the total costs per Kg made tea in the last financial year compared to the previous year. These cost containment efforts shall continue to ensure that the impact of inflationary pressure is mitigated. These will include but not limited to automation and mechanization, installation of weighbridges and many others.

Continued strategic cost reduction initiatives will include further investment in small hydro projects, buying and planting wood fuel plantations to address energy costs and installation of continuous withering machines to address labour costs.

The total payment to farmers increased from Kshs 43.3 billion last year to Kshs 62 billion and the average payout per kilo increased from Kshs 41.61 per Kg green leaf last year to Kshs 50.26 per Kg green leaf this financial year. Indeed, this was an all time high performance.

The proportionate payment to our farmers increased to 75% of the gross revenues earned on average, with 25% going to operational, administration, financial and other costs; this is an improvement from the previous year where 29% had gone to cover these costs.



TOTAL PAYMENT BY REGION IN BILLION KSH

		2016	2015	% increase
REGION 1	Kiambu/Thika	12.74	8.70	47%
REGION 2	Murang'a /Nyeri	8.73	6.31	38%
REGION 3	Kirinyaga /Embu	9.80	6.90	43%
REGION 4	Meru	8.08	5.95	36%
REGION 5	Kericho/ Bomet	13.18	9.16	44%
REGION 6	Kisii/ Nyamira	7.43	4.93	51%
REGION 7	Nandi/ Kitale / KK	2.02	1.30	50%
Total	TOTAL	61.99	43.25	43%

I am happy to report that Tea Machinery and Engineering Company (TEMEC) has made inroads in tea machinery fabrication, agency contracts and supply of tea machinery spare parts. Customers who value quality and are comfortable dealing with corporate entities prefer TEMEC. The company has already created an impact in terms of rationalising quality and lowering prices of items supplied to KTDA managed factories. The reception by multi-nationals and customers from the East African community is quite encouraging.

Leaf Carrier Fabricated by TEMEC

It is my hope that the KTDA factories will accord TEMEC full support so that it can also create revenue to our farmers in terms of dividend earnings.

The company was able to undertake some hydro works for Chania Hydro Station to the tune of Kshs 50 million which has opened new horizons for this business.

Gura Hydro – Penstock & Power House

The shareholders previously approved investments in small hydro power projects to not only reduce the electricity cost but also provide an additional revenue stream for the shareholders. I am pleased to report that the small hydro projects are progressing on well and already Chania and Gura have already been commissioned. This is a milestone achievement. The ones that are at various stages include; North Mathioya, South Mara, Iraru, Lower Nyamindi, Nyambunde) Kipsonoi, Chemosit, and Rupingazi. Other projects being considered include Kiringa, Nyamasege, Kathita, and Kiptiget.

These projects are being financed through equity contributions (35%) and external financing (65%) which is currently through a USD 85.5 million loan. The external financiers include Co-operative Bank (AFD line of credit), International Finance Corporation (IFC), FMO of Netherlands, and Proparco of France. The loans are guaranteed by KTDA Holdings and are offered at an interest rate range of 4.5% - 5.8 % p.a.

Greenland Fedha Microfinance Company had envisioned converting into deposit taking but this has been delayed by the recent developments in the banking sector that require further evaluation. The company continues to serve the farmers' needs for access to affordable credit. The company has served the customers well, is profitable and continues to explore various ways of financing its growth especially without taking deposits. The Board will continue to explore means of addressing the issue of source of affordable funds amidst the emergent challenges in the financial sector.

IFC, a member of the World Bank Group, extended a loan of Ksh1 billion to KTDA to build warehouses in Mombasa, through its subsidiary, Chai Trading Company Ltd. The warehouses are now complete, racked and in use. The total area is 333,229 square feet of which racking area accounts for 106,151 square feet thus ensuring optimization.

External view of Miritini warehouse complex

The new warehouse will increase Chai Trading Company's capacity to store more tea from KTDA managed factories while reducing reliance on externally hired warehouse space.

The banking environment has been negatively impacted by the recent bank receiverships and interest rate capping. This has made investments in the banking sector challenging and the Board will continue to monitor opportunities to unlock value from the investment in Family Bank as it is also affected by the operating environment. All listed bank shares declined by around 50% on average over the period.

The various diversification initiatives are an endeavour to enhance shareholders value and will be sustained. The initiatives are meant to establish more revenue opportunities for the shareholders and mitigate against overreliance on agriculture alone.

Looking ahead, the major value drivers to the shareholders will be influenced by climate change, response to regulatory environment especially with multiple licensing of cottage tea factories, devolution, revenue diversification by product, markets and investments along the value chain.

The issue of business resilience focusing on strategic and operational risks has also featured prominently influencing group performance in the last few years.

The year under review was depressed by the operating environment in the financial services that led to the group making provisions for the uncertainty surrounding the deposits held in Imperial and Chase Banks now in receivership. The good performance registered would have been a record high were it not for the provisions that were made in line with prudent management practices.

My Board will continue to address itself on these areas in order to improve returns to our shareholders.

I appreciate the support given by our Board of Directors, management and staff. Our business partners have been very supportive especially customers, suppliers and financiers and we are very grateful for their support. The factory boards and factory staff remain valuable to our performance and as KTDA's interface with our farmers.

Peter T. Kanyago, MBS, EBS
Chairman

> The **good performance registered** would have been a record high were it not for the provisions that were made in line with **prudent management practices.** We are looking forward to addressing future challenges that come forth and are determined to do our best to continue **managing our shareholder resources prudently.**

Lerionka S. Tiampati, Group CEO

VALUED SHAREHOLDERS

The group turnover increased from KShs 18.3billion in the last financial year to KShs 24.8 billion this year, an increase of 35.5%. Profit before tax decreased from KShs 2.02 billion to KShs 1.44 billion. The significant increase in turnover was achieved through high tea trading activities boosted by higher tea prices.

The profit was negatively affected by higher levels of provisions associated with non performing trading debts, obsolete packaging materials and provisions relating to money held in Imperial and Chase Banks that were put under receivership within the year.

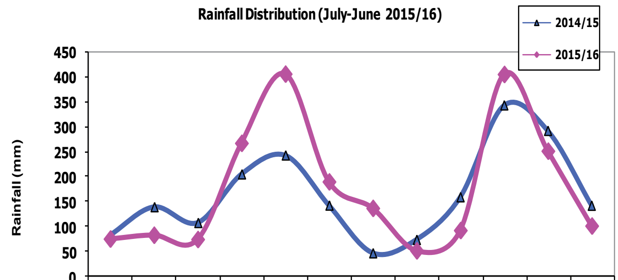
The group companies continue to perform as follows:-

KTDA MANAGEMENT SERVICES

During the year under review, the tea growing areas received higher rainfall than the previous year. A total of 2091.35mm of rainfall was recorded in the year, up from 1785.00mm recorded the previous year in representing a 17% increase.

Green leaf produced increased from 1.04 billion kilogrammes the previous year to 1.23 billion kilogrammes during the year. Tea production increased due to favourable weather conditions and good crop husbandry, achieved through the Farmers Field Schools extension methodology. Certification by Rainforest Alliance continued to demonstrate commitment to sustainable agricultural practices in tea cultivation.

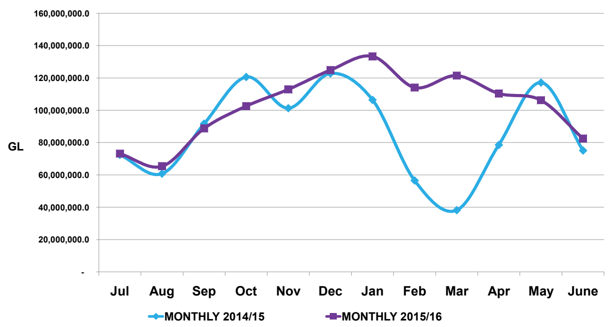
WEATHER



	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	March	April	May	June
2014/15	82.16	138.9	107.3	204.6	242.5	142.2	46.59	73.46	158.8	342.8	291.7	141.8
2015/16	73.04	80.78	72.17	265.4	404.6	187.9	134.7	49.34	90.22	403.9	249.7	99.22

June rainfall Decreased to 99.22 mm from 141.8 mm of the previous year. The rainfall to date is 2091.35 mm up from 1785.00 mm last year.

CROP PRODUCTION TREND



During the year, 272 million kilogrammes of made tea were sold at an average price of US $ 3.01 per kilogram which was equivalent to KShs 300.35 per kilogram. This compares well to the 259 million kilos sold during the previous year at an average selling price of US $ 2.61 per kilogramme which was equivalent to KShs 233.57. This represents an increase of 15.33% in tea prices.

The average exchange rate to the US dollar was KShs 101.52 compared to KShs 98 the previous year.

Financial Performance

The factories' total income went up by 32.2% to KShs 83.97 billion from KShs 63.53 billion last year. The total payment to farmers similarly improved by 43% from KShs 43.25 to KShs 61.99 billion.

The average cost of production went down by 4% from KShs 80.37 to KShs 77.19 per kilogram of made tea, mainly driven by higher volumes processed and cost cutting measures implemented at the factories.

Factory expansion

The KTDA managed factory companies have continued to undertake expansion of their factory capacities. The factory processing capacity enhancement and other efficiency improvement programmes will continue with the policy to cap factory processing capacity at 20 million Kgs green leaf.

Shs 84 billion

Total factories' income up by 32% compared to last year's

Newly constructed Boito Tea Factory in now operational

All qualifying factories will be encouraged to set up additional processing plants for the extra crop to ensure enhanced service delivery and maintenance of quality tea manufacture.

During the 2015/16 financial year, Boito tea factory in Bomet was completed, construction of Motigo satellite factory under Kapkoros also continued. Construction of Tebesonik satellite factory under Kapkatet has commenced. Other satellite factories for Tombe, Nyansiongo, Sanganyi, Kapkoros and Mogogosiek are at various planning stages.

In its endeavour to continue the mechanization of processes at the factories, the company has adopted the implementation of weighbridges to improve leaf collection services. Several units are under installation. Similarly, the company has also adopted continuous withering technology for implementation in suitable factories. This will have a significant impact in reducing withering operational costs and ultimately the cost of production.

Strategic initiatives

We are undertaking various initiatives in order to improve the efficiency of doing business and also create more value for our shareholders. These initiatives are as follows;

a) Nutrient Management

The Company continues to manage the Fertilizer Credit Scheme where fertilizer is sourced for the farmers internationally at very competitive prices. This successful initiative has attracted other firms in Kenya and Rwanda who wish to be included in the scheme to benefit from better prices. Regular application of fertilizer ensures that the quality and quantity of our teas remain high. This year's fertilizer price was the best we have managed to achieve in recent times.

Group CEO, Mr. Lerionka Tiampati with Tania Lozansky, International Finance Corporation Global Head, Manufacturing Agribusiness and Services Advisory, sign a KES420 million partnership pact at the Norfolk Hotel, Nairobi on April 14, 2016. The partnership is aimed at improving yields and income for tea farmers in Kenya.

During the year, the company entered into a Ksh 420 million project co-funded by the International Finance Corporation. The project has 3 main objectives namely:

- To improve productivity of small holder farmers through soil testing and fertilizer use optimization.
- To strengthen KTDA fuel supply chain, management of environmental and social impacts and security of supply through inter linked activities.
- To improve performance of farm operations through business and finance management training to farmers.

b) Sustainable agriculture

This is an ongoing project which has the objective of entrenching sustainable agriculture practices in tea growing among farmers. All factories have now attained full Rainfall Alliance certification status and maintaining.

The Farmer Field School program has seen a total of 3,436 schools being formed. So far 86,020 farmers have been trained on sustainable agriculture practices through FFS. Participating farmers achieved a yield increase up to 36%, increased net income, improved health of both farmers and workers due to the use of Personnel Protective Equipment (PPEs), improved environment and better relationships between the farmers and the factory management.

A Farmer Field School in progress

c) Farm management services

Farm management services have been implemented and running in a total of 9 factories namely, Tegat, Nyansiongo, Toror, Chebut, Kaptumo, Litein, Mogogosiek, Chinga and Kanyenyaini. During the year, a total of 5.18Million kilogrammes of green leaf was delivered to the respective factories from managed farms and 16.7Million Kilogrammes since implementation of the programme.

d) Electronic Weighing Solution

Riding on the success of the first phase of Electronic Weighing Solution (EWS), the company successfully piloted the second phase at Makomboki and Chebut factories during the year. This phase incorporates the smart card and SMS among other features.

Roll out to the other factories is planned for the year commencing July 2016.

e) Environmental management

- In order to comply with Environmental Management and Coordination Act of 1999, factories have been investing in compact and wetlands effluent treatment systems. This is being done in house as a cost reduction measure. The programme is scheduled for completion by December 2018.
- In order to ensure business sustainability in terms of providing cheaper source of energy, while at the same time taking care of the environment, factories are required to plant one (1) hectare of wood fuel for every four (4) hectares of tea. Tea factories have acquired 19,237 acres of land for fuel wood development out of which 13,199 acres have been planted with trees as at June 2016. This is part of the strategy to make the factories self reliant on wood fuel in the future.

f) Integrated Business Process

The Integrated Business Process solution (SAP – ERP) is now live in Holdings and 3 factories: Gitugi, Kapkoros and Kangaita. The objective is to maximize shareholder's wealth through enhancing operational efficiency.

KTDA RUNS SAP®

g) Organizational Development

During the year, the company retained the services of a consultant to assist review and align the organizational and governance structures as well as compensation to the market. This will help the company to align manpower to the growing demands of the business.

CHAI TRADING COMPANY LIMITED

Chai Trading Company Limited remains the logistics, warehousing and tea trading arm of the KTDA Holdings. Its mandate is to drive tea value addition initiatives as well as increasing our presence in emerging tea markets worldwide.

The company recorded a turnover of KShs. 17 billion compared to KShs. 12 billion in 2014/15, representing a 42% growth. Increased shipments to key export markets, high auction prices in the first half of the year under review and high exchange rate to the US Dollar were the factors behind the sharp growth in turnover.

Kshs 784 million

Chai Trading's profit before tax, a 23% growth compared to last years'

The company attained a Profit Before Tax of KShs. 784 million which represents 23% growth compared to the previous year (2014/15: KShs. 636M). In the period under review, management emphasised on service delivery efficiency, prudent financial management and leveraged on cheaper source of funds.

The Company has now put focus on the Dubai office (Chai Trading DMCC) in order to venture into new markets especially Iran and the middle East, Chai Trading DMCC posted improved revenue of AED (Arab Emirates Dhiram) 39.83 Million (KShs 1.1 billion) compared to the previous year AED 33.83 Million (KShs 909 million) which represents 22% growth in turnover. The profit for the year is AED 2.06 Million (KShs 72.4 million) compared to AED 1.3 Million (KShs 43.5 million) in the financial year 2014/2015 representing 66% growth in profitability. The higher growth in profitability was due to improved sales and cost management.

Senior IFC and KTDA officials during an inspection tour of the new KTDA Chai Warehouse Complex in Miritini, Mombasa on 25th August 2016.

KENYA TEA PACKERS LIMITED

The company remains the local value addition arm of the group. Its performance has continued to be challenging due to high competition and high cost of teas.

The financial results for the year ended 30th June 2016 shows a growth in turnover to KShs 2.56 Billion up from KShs 2.38 billion last year which is a growth of 7%.

Sales volumes for both black tea and Maisha water delivered modest growth.

The company will continue to focus its efforts in growing both market share and brand margins. This will be done through innovation, market growth and development, production lines automation and mechanization, use of ICT and continuous staff training and development.

MAJANI INSURANCE BROKERS

Majani Insurance Brokers Ltd registered commission income of KShs 191.1m up from KShs 158.8m last year, a growth of 20.3% . Total operating income was KShs 268m compared to KShs 228m the last year.

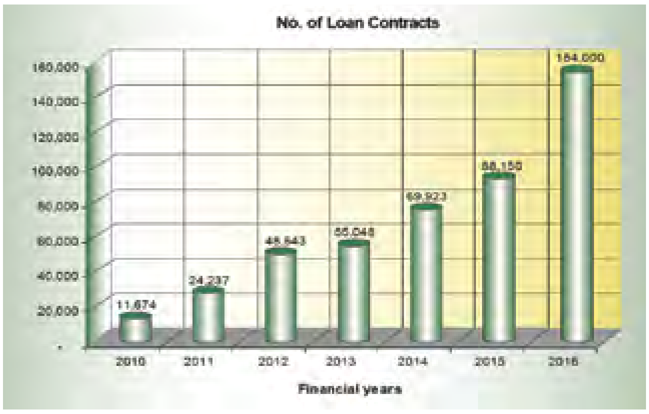
Majani Insurance Brokers remains a key player in Micro Insurance development in Kenya and continues to add value to small-scale tea farmers through continuous tailor-made micro-insurance products such as Kinga Ya Mkulima (KYM), Motor, livestock and lately boda-boda insurance initiatives. Micro-insurance offers affordable and conveniently available health and security services to our small scale tea farmers and their assets.

GREENLAND FEDHA LIMITED

Greenland Fedha Microfinance Company registered increased demand for credit and was able to cope through borrowing from local and International lenders. It will continue to partner with more such lenders in order to continue to meet the financial requirements of the Farmers and other borrowers.

The company is enabling our farmers to access affordable credit; assist them to diversify their income revenue streams and educate their children. The future of this company is dependent upon access to affordable sources of funding in order to compete favourably and provide affordable credit to farmers.

Greenland Fedha's PESA ULIPO product



Greenland Fedha Limited has remained as a non deposit taking Microfinance Company and recorded revenues of KShs 662 million and a Profit before Tax of KShs 291.9 million. The company disbursed KShs 3.519 Billion to 154,000 farmers compared to KShs 1.572 Billion disbursed to 88,150 farmers the previous year.

The mobile banking initiative rolled out in 2014 enabled customers to access loans of between of Kes 500 to Kes 30,000 using their phones from the comfort of their houses and this greatly improved customer service.

The Board is cognizant of enhanced risks associated with running a financial institution and will remain focussed on the associated risk mitigation. The cash constraints caused by recent three bank receiverships and interest rate capping poses a completely new financial services environment and the Board will continue to address all emerging issues.

TEA MACHINERY & ENGINEERING COMPANY

The objective of setting up this company is to reduce cost of production and improve the quality of tea. It's also an initiative to diversify revenue streams through manufacture of tea processing machinery, equipment and parts for use by the tea factories. The initiative will ensure factories use standard machinery and use quality equipment and spares.

Key machinery fabricated in the year under review includes leaf carrier bodies, chimneys, withering troughs, conveyors hydropower penstock and sluice gates. TEMEC also supplies spare parts such as motors, gears and belts.

The company earned revenue of KShs 135.4, million an increase of 35% over the previous year and a profit before tax of KShs 5.0 million in the period under review. The pre-tax profit was however a drop from KShs 7.9 million registered the previous year. Factories continue to be encouraged to support this company not only due to reduced cost of machinery and spares, but also as a key driver towards industrialization of our country.

KTDA POWER COMPANY

The KTDA Power Company is involved in renewable energy initiatives that will enable factory companies reduce their cost of electricity and earn additional revenue through sale of surplus power to the national grid.

USD 89.1 million

Value of hydropower projects being undertaken by KTDA Power

Construction of Gura and Chania small hydro projects have been completed while construction of Metumi, Iraru, Lower Nyamindi and South Mara are at advanced stages of completion. The other projects of Chemosit, Nyabunde, Kipsonoi and Rupingazi are at the detailed planning stages.

The company registered a revenue of KShs 131.5 million up from KShs 73.6 million the previous year and a pretax profit of KShs 19.5million compared to a pre-tax loss of KShs 30.8 million the previous year.

INFORMATION COMMUNICATION & TECHNOLOGY

Apart from SAP, other information and technology projects that are in progress include electronic data management (EDMS), Communication mobility (Tablets), EWS phase two and Automated Fleet Management (AFMS). KETEPA has pioneered in teleconferencing and initiatives will continue to be explored.

HUMAN RESOURCES & DEVELOPMENT

People & Development

KTDA endeavours to create a work environment that encourages employees to perform to their optimal potential. Our employees have access to permanent employment, career development, training and worker welfare benefits. The Group continued to attract some of the best skills and expertise in the market. The staff complement increased from 1502 to 1536. Employee's retention was high and staff turnover remained low at 2%.

Staff Training

The Group has invested heavily on staff training and capacity building. This in recognition of the role human capital plays in the growth and development of the business.

During the year, a total of 84 training programmes involving over 600 KTDA staff and 450 KTDA managed factory staff were undertaken.

OCCUPATIONAL HEALTH AND SAFETY

Safety Stewardship

Our goal is to maintain an incident-free, secure and healthy work area for all. Conducting business in a safe, secure and environmentally responsible manner is our ethical responsibility and we will comply with all applicable legal requirements and company policies and procedures.

KTDA Staff during a team building session.

Social Responsibility

The company extends its health, safety, and environmental philosophy beyond the official workplace and seeks opportunities to advocate this philosophy to our growers and neighbourhoods.

We will endeavour to make a positive impact in our farming communities through sound environmental and social support by actively being involved in sustainable agriculture and environmental social services.

KTDA FOUNDATION

Under it's four Pillars: **Education, Environmental Sustainability, Health and Capacity Enhancement for Economic Empowerment**, the KTDA Foundation continues to deliver Corporate Social Responsibility Projects for the benefit of KTDA's small-holder farmers.

KTDA working through the KTDA Foundation endeavors to ensure business sustainability as a way to deepen relationships with our farmers, clients and partners throughout the tea value chain.

Guided by its four core values of ***Commitment to partnerships, Empowerment, Respect for the environment, Transparency and integrity, the*** KTDA Foundation in the 2015/2016 Financial year carried out a number of programs.

Education

The Foundation extended new scholarships to 96 form 1 students bringing the total student under the Foundation to 333. The students are mentored throughout the 4 years of secondary school study including a one week mentorship program held every year in August.

Environmental Sustainability

To mitigate against the negative impacts of climate change, the KTDA Foundation funded the establishment of 15 indigenous tree nurseries located at Theta, Makomboki, Githambo, Chinga,

KTDA Foundation's sponsored students during the mentorship programme held in August 2016

Kathangariri, Kimunye, Imenti,Weru, Litein Mogogosiek, Tombe, Rianyamwamu, Nyansiongo and Mudete. These nurseries are expected to yield 1.5 million indigenous seedlings.

The Foundation remains committed to promoting responsible use of wood fuel in homes and to date has facilitated the installation of 172,200 energy saving cook-stoves, which are helping reduce the amounts of firewood used in farmers' kitchens. This was done in partnership with GIZ of Germany.

Capacity Enhancement for Economic Empowerment
In February 2015, KTDA Management services entered into an MOU with the International Finance Corporation (IFC) to undertake a pilot training on financial literacy for tea farmers. This is now being rolled out through Trainer of Trainer (TOT) methodology. The content includes record keeping, savings, investment, wealth, and basic accounting.

International Standards Certifications
The KTDA Group companies and managed factories continue to be re-certified on ISO 9001:2008 and ISO 22000 Food Safety Management in all Factories, Chai Trading Company and KETEPA. We have now embarked on the process of certification to ISO 9001:2015, the new version of the standard.

Strategic Direction
The Group, its subsidiaries and managed factories continued to implement the 5 year strategic plan to 2019.

The key objectives with regard to energy generation, investment in financial services and diversifying into other value adding activities continue to be achieved.

Our future focus will continue to be on diversifying and growing revenues through our value chain in order to enhance shareholder value and mitigate against industry shocks.

We are looking forward to addressing future challenges that come forth and are determined to do our best to continue managing our shareholder resources prudently. This we believe will improve returns to our shareholders and other stakeholders.

I would like to take this opportunity to thank the Board of Directors, all staff and tea farmers for their continued support.

Lerionka S. Tiampati, MBS
Group Chief Executive Officer

SUBSIDIARY COMPANY HEADS

Dr. Charles K. Mbui
Managing Director,
Chai Trading Company Ltd

Dr. Mbui holds a PhD in Business Administration and an MBA in Marketing from the Jomo Kenyatta University of Agriculture and Technology (JKUAT). He also holds a B.Com Degree (Nairobi University), a Post Graduate degree in Business Management from University of South Africa (UNISA) and a Diploma in Advanced Management from Strathmore Business School (SBS) / Barcelona Business School (BBS) Spain.

Dr. Mbui has over 25 years' experience in business management gained at senior levels in leading companies in the private sector.

Mumbi Gitonga
General Manager, Majani
Insurance Brokers Ltd

Ms. Gitonga holds an MBA from IU/ Copenhagen Business School and a Bachelor of Commerce degree (Insurance Option) from the University of Nairobi. She is an Associate of the Insurance Institute Kenya (AIIK), Associate of the Chartered Insurance Institute, London (ACII) and a Chartered Insurer, UK.

Prior to her current assignment, she served as Marketing Manager, Claims Manager, Underwriting Manager and Reinsurance Officer in Madison and Heritage Insurance Companies, respectively.

Anne Gathuku
General Manager,
Greenland Fehda Ltd

Ms. Gathuku holds an MBA in Strategic Management and a Bachelor of Commerce Degree in Business Administration from the University of Nairobi.

She has over 20 years experience in microfinance operations and has previously worked at Faulu Kenya and K-Rep Development Agency as General Manager.

Ms. Gathuku serves in the Board of Directors of the Association of Microfinance Institutions in Kenya (AMFI-Kenya).

Albert Otochi
Managing Director,
KETEPA Ltd

Mr. Otochi holds a degree in Marketing from University of Nairobi and a diploma from Chartered Institute of Marketing(UK). He has over 25 years' experience in management having held senior positions in Barclays Bank, KCC, Wellcome (K)Ltd, Premier Foods Ltd, Ogilvy & Mather and KETEPA.

Prior to his current position, he served as General Manager, Sales and Marketing at KTDA(MS)

Lucas Maina
General Manager,
KTDA Power Company Ltd

Eng. Lucas G. Maina holds a Bachelor of Science Degree in Civil Engineering from the University of Nairobi.

He has over 28 years experience in planning, design and implementation of multi-disciplinary projects including water projects, buildings, roads and infrastructure projects.

Prior to joining KTDA Power Company, he was Project Manager of all KTDA's infrastructure works.

Samson Miencha
General Manager,
TEMEC Ltd

Mr. Miencha holds a Bachelor of Arts Degree in Economics and Sociology from the University of Nairobi, and a postgraduate diploma in Supply Chain Management.

He is a member of the Chartered Institute of Supply Chain Management as well as an ISO certified Auditor.

He has worked in the government and the private sector in various capacities in supply chain management.

SENIOR MANAGEMENT

Paul Ndivo
Group General Manager
Human Resources & Administration

Alfred Njagi
General Manager,
Operations (MS)

David Mbugua
General Manager – ICT

Lincoln Munyao
Group Head of Audit

Brown Kanampiu
Group Head of
Procurement

Francis Miano
Group Head of
Technical Services

Dr. Simon Gikang'a
General Manager, (FREIGHT)
Chai Trading Company Limited

John Bett
General Manager,
Sales & Marketing (MS)

Ndiga Kithae
Group Head of
Corporate Affairs

Simeon Rugutt
Financial Controller

Corporate governance is the process and structure used to direct and manage business affairs of the company with the ultimate objective of increasing shareholder value. This is achieved by establishing a system of clearly defined authorities and responsibilities, which result in the system of internal controls that is regularly tested to ensure effectiveness.

The Directors of KTDA [H] attach great importance to the need to conduct the business and operations of the KTDA [H] Group, the KTDA MS managed tea factory companies with integrity and in accordance with the highest standards of governance practices and endorses the internationally developed and accepted principles of good corporate governance.

KTDA Group recognizes the emphasis placed on Directors and managements responsibilities in the Companies Act 2015

The Board has adopted the code of best practice for corporate governance issued by the Centre of Corporate Governance of Kenya (CGK) and is focused on ensuring compliance with the guidelines and principles of Corporate Governance. A Code of Conduct in pursuance of Good Corporate Governance practices and a Directors Manual/Charter have been prepared for guidance of the Board and Employees in carrying out their responsibilities.

RESPONSIBILITIES

The shareholders' role is to appoint the Board of Directors and External Auditors. The shareholders consider and approve the Company's Audited Accounts and approve payment of dividends to the shareholders.

BOARD OF DIRECTORS

The Board of Directors is responsible and accountable for the governance of the Company, and is mandated to conduct the business and operations of KTDA [H] with integrity and in accordance with generally accepted corporate governance principles.

It also provides policy direction in developing strategic business plans, goals and objectives as well as evaluating management's performance in pursuing and achieving those goals.

Management is responsible for overseeing the day-to-day affairs for the company and implementing the company's operational and strategic policies and objectives.

The composition of the Board is set out on Page 6. The KTDA [H] Board consists of twelve Non-Executive Directors, an independent director (in recognition of affirmative action enshrined in the Constitution of Kenya and best practices) and two Executive Directors (the Managing Director (CEO) & Finance & Strategy Director) The Board is chaired by a Non-Executive Director. All the Non-Executive and Independent Directors are independent of management and have a diverse range of expertise and experience.

KTDA Holdings' subsidiaries of CTCL, KTDA MS, KETEPA, MIB, DMCC, Foundation, TEMEC and GLF all have a similar mix of directors (Non-Executive, Independent and Executive), Thirty Five (35) of the fifty four (54) KTDA MS managed Tea Factories have also adopted the affirmative action and have appointed Independent (female) directors on their boards.

The roles of the Chairman and Managing Director are separate. The Chairman provides overall leadership to the Board without limiting the principles of collective responsibility for board decisions.

The Managing Director is responsible to the Board and takes responsibility for the effective and efficient management of the Agency. The Board retains the overall responsibility for financial and operating decisions and for monitoring performance of senior management. The directors' responsibilities are set out in the statement of Directors Responsibilities on Page 30.

The Board meets every two months and has a formal schedule of matters reserved to it. Directors are required to disclose all areas of conflict of interest to the Board and are excluded from deliberating and voting on such areas of conflict. The Board has access to the Company Secretary and independent professional advice in appropriate circumstances. The key functions of the board is the identification of current and future risks and to ensure that the necessary systems and controls are in place to enable such risks to be measured, controlled and effectively monitored.

The Board approves annual business plans and budgets proposed by management; appoints the Managing Director/ CEO, who reports to the Board and ensures that succession is planned. It assesses the viability of the company as a going concern, considers and recommends the payment of dividends to shareholders, approves the company's financial statements and is responsible for the integrity and reasonable presentation thereof.

New directors undergo a formal induction process to ensure that they are fully familiar with the Agency's policies, organization structure and corporate governance principles. Directors are subject to retirement by rotation.

BOARD COMMITTEES

The Board has constituted several committees to assist in discharging its responsibilities and obligations. However, the Board is cognizant of the fact that this does not detract it from its ultimate accountability for the performance and governance of the company. The committees of the Board consist of Non-Executive and Executive Directors and they report regularly to the Board on their activities. Other members of management and outsourced service providers and experts may attend committee meetings by invitation.

The main committees of the Board are: Finance, Investment and Strategy, Staff and Remuneration, Risk Assurance & Governance, Nomination and Remuneration and International Business Development. The Risk Assurance and Governance Committee is Chaired by an independent director and is made up of only non-executive directors.

KTDA (H) Chairman, Mr. Peter Kanyago (6th right, front row) and CEO Mr. Lerionka Tiampati (4th right, front row) with independent directors during a Corporate Governance Training in Nairobi on July 15, 2015. KTDA (MS) has recruited female independent directors, taking a lead in the implementation of the two third gender rule as provided for in Kenyan Constitution.

MANAGEMENT COMMITTEES

The Company has established Management Committees to oversee specific aspects of the group's business and operations. These are Management Tender Committee, Human Resources & Development Committee, Project Steering Committee, Business Process Review and Risk Assessment Team and SAP implementation Committee.

INTERNAL CONTROLS

The directors acknowledge their responsibilities as set out on Page 30 for the Group's systems of internal financial controls, including taking reasonable steps to ensure that systems are being maintained. Internal control systems are designed to meet the particular needs of the Agency and the risks to which it is exposed with procedures intended to provide effective internal financial control. The board has reviewed the Agency's internal control policies and procedures and is satisfied that they are effective.

RISK MANAGEMENT

The KTDA Holdings Group has identified Business Risks through a Risk register. This is also similar to all subsidiaries. The Register continues to be monitored periodically. Policies and guidelines to manage and mitigate such risks have been developed. These include currency risk, operational risk and credit risk guideline. In order to facilitate monitoring, and therefore compliance with above policies, the Group has put in place comprehensive management information systems that identify adverse changes in the risk profiles.

Appropriate focus is given to the risks facing the Company, its Subsidiaries, KTDA MS managed Tea Factory Companies and financial instruments in the portfolio.

BUSINESS CONDUCT

The Agency's business is conducted within a developed control framework, underpinned by policy statements, documented procedures and control manuals. All operations are customer focused and in line with the requirements of ISO 9001:2008 Quality Management Systems. The Board has established a management structure, which clearly defines roles, responsibilities and reporting lines. Delegated authorities are documented and communicated accordingly.

PERFORMANCE REPORTING

The business performance of the Group is reported regularly to its management and the Board. Performance trends, forecasts as well as actual performance against budgets are discussed in the monthly Heads of Department and quarterly Board meetings.

Financial information is prepared using appropriate accounting policies, which are applied consistently. Operational procedures and controls have been established to facilitate complete, accurate and timely processing of transactions and the safeguarding of assets. These controls include segregation of duties, regular reconciliation of accounts and valuation of assets.

REMUNERATION POLICY

The remuneration for non-executive directors consists of directors fees paid on quarterly basis, monthly honoraria, sitting, mileage and other allowances for attending board and committee meetings. Information and disclosures relating to the directors' remunerations and salary emoluments paid to key management staff are contained in note 33 to the financial statements. The Company endeavors to review and approve competitive remuneration packages, which are designed to attract, retain and motivate staff. Salary packages are reviewed annually to ensure that they are competitive in line with the market rates.

SOCIAL RESPONSIBILITY STATEMENT

The KTDA Foundation is the vehicle through which KTDA Holdings, its subsidiaries and KTDA MS managed factories carry out Corporate Social Responsibilities (CSR) for the benefit of the 560,000 small scale tea farmers.

The Foundation runs programs along four pillars: Education, Health, Environment and Capacity enhancement for Economic Empowerment. KTDA Holdings, working through the KTDA Foundation endeavors to ensure business sustainability as a way to deepen relationships with our farmers, clients and partners throughout the tea value chain.

The Foundation is committed to partnering with other organisations who share similar objectives to work towards social development and empowerment of the tea farming community.

ETHICAL STANDARDS

The Group conducts business in compliance with ethical standards of business practice. The Agency has prepared codes of conduct for directors and employees. The Code requires all to conduct business with the highest standards of personal and corporate integrity.

ENVIRONMENT AND OCCUPATIONAL HEALTH AND SAFETY REPORT

Safety and Health Stewardship

Safety and health stewardship is a core value at KTDA Ltd and its managed tea factories. As a steward of all small scale tea growing communities, KTDA is committed to the health and safety of our employees, our farmers, and our customers. Our commitment goes beyond our responsibility to comply with all safety and health-related rules and regulations. We have continually strived to achieve our ultimate goals: No accidents. No injuries. No deaths through accidents. Putting the safety and health first in all we do, regardless of operational urgency, demonstrate our stewardship even as we aim our long-term success. Adequate and suitable means for extinguishing fire are provided in addition to adequate means of alerting employees in case of emergency, provision of escape route in case of a fire or other threats like terrorism and collapse of structures.

Striving to achieve our safety and health goals is not about reaching a final destination. Instead, it is an on-going journey that requires the commitment of every KTDA, Subsidiary company and managed factories' employees. It's a worthwhile journey, one that benefits our employees, their families, our contractors, our shareholders, our farming communities and all those we serve.

Social Responsibility

Operating in a responsible and sustainable manner is important to KTDA. While we run our business in line with the expectations of diverse global stakeholders, we also see social responsibility as a discipline that helps us manage risks and maximize on the opportunities available to us in a changing world. We are committed to understanding, monitoring and managing our social, environmental and economic impact to enable us to contribute to society's wider goal of sustainable development.

Our Environmental Obligations

KTDA does its business with consideration of preservation of the environment by using the principles of reducing, reusing, and recycling of applicable waste materials. The company focuses on improving energy efficiency in its factories' manufacturing processes and within its office buildings in order to reduce energy costs through environmental controls and identifying opportunities in new and innovative programs offered in the market by utility companies and with local and state agencies.

At KTDA we are committed to a long-term sustainable approach to caring for and safeguarding the environment. Specifically, "sustainability" means that we constantly endeavor to balance environmental considerations and social responsibility with our business goals. Despite complying with environmental laws and regulations the company further targets in the long-run adhere to sustainable approach of doing business that will benefit the consumers, customers, shareholders, associates and communities that it serves by both meeting its business goals and protecting and improving the quality of the environment in which we operate. We extensively consider product safety and environmental impact issues of our products throughout the entire life cycle, including inception, manufacture, storage and shipping of products.

People and Development

Our people development policy is directly aligned with the KTDA's strategic plan and we have always engage all our staff in developing a sustainable and high achieving workforce within an environment that is conducive to attracting and retaining the 'best'. Our focus is on developing an organisational culture that values diversity and ensures that our people have meaningful and challenging work, that they are effectively developed and motivated to perform. The company appropriately recognises performance and competitively rewards staff, thereby realising KTDA Ltd, Subsidiaries and Managed factories objectives and aspirations.

ENVIRONMENTAL MANAGEMENT

KTDA – managed factories are shifting to hydropower; an alternative source of energy. The Global Environmental Facility (GEF) and UNEP teamed up to support small hydro projects in eastern Africa and KTDA factories were beneficiaries.

Named the 'Greening of the Tea Industry in East Africa', the initiative focused on renewable energy and energy efficiency and also reduction of greenhouse gas emissions. The Factory Companies have set up Regional Power Companies (RPCs) to develop the small hydro projects in partnership with the KTDA Power Company.

KTDA continues to pursue its Tree Planting Program with a view of planting about 8 million trees every year in the next five (5) years. This program is carried out in partnership with respective Factory Companies.

KTDA (MS) staff inspect packaging of NPK fertilizer in 50 kg bags at the Port of Mombasa. KTDA (MS) imported 74, 800 metric tons of fertilizer for farmers.

Agriculture Cabinet Secretary, Hon Willy Bett, presents a trophy to Judy Busiliru, KTDA (MS) Assistant Electrical Engineer during the Nakuru ASK Show. KTDA (MS) emerged top in several categories during the Show.

Kenya Tea Development Agency Management Services wins top awards at the Kenya Tea Industry Award Gala in Nairobi on October, 14, 2016. During the event, several KTDA managed tea factories scooped top positions in different tea categories, dominating the ceremony that was attended by tea stakeholders.

Imenti Tea Factory, one of KTDA-managed factory, won the Taylor's of Harrogate 2016 Global Tea Supplier of the Year Award in the UK. On hand to receive the coveted prize were (left to right holding the trophy) KTDA(MS) Senior Manager Sales and Customer Service, Vincent Mwingirwa, former KTDA(H) Chairman and Imenti Tea Factory Chairman Stephen Imanyara and Imenti Tea Factory Manager, Charles Murigu.

KTDA-managed tea factories bag best awards at the 2016 Energy Management Awards Gala, held at the Safari Park Hotel, Nairobi.Gitugi Tea Factory scooped position one in Best Energy Management (Tea Sector), Gianchore won First Runners Up in Electricity Savings Energy Category (Large Consumer) and in Best New Entrant Category, while Kiru bagged First Runners up in Best Energy Management (Tea Sector).

The directors submit their report together with the audited financial statements for the year ended 30 June 2016, which discloses the state of affairs of Kenya Tea Development Agency Holdings Limited (the "Company") and its subsidiaries (together, the "Group"). The annual report and financial statements have been prepared in accordance with sections 147 to 163 of the repealed Companies Act - Cap 486, which remain in force under the transition rules contained in the Sixth Schedule, the Transitional and Saving Provisions of the Companies Act 2015.

PRINCIPAL ACTIVITIES

The principal activities of the Group are:

- The management of the small holder tea factory companies, marketing of their teas and value adding to ensure the best returns for the tea factories;
- Provision of insurance brokerage services;
- Warehousing, clearing and forwarding services;
- Blending, packing and distribution of tea through appointed agencies;
- Fostering of tea production in the country; and
- Providing financial services to low income households within the tea sector in Kenya

RESULTS AND DIVIDEND

The profit for the year of Kshs 1,065,162,000 (2015: Kshs 1,467,528,000) has been added to retained earnings. The directors recommend the approval of a final dividend of Kshs 272,445,300 (2015: Kshs 514,497,200).

DIRECTORS

The directors who held office during the year and to the date of this report are set out on page 6.

AUDITOR

The Company's auditor, PricewaterhouseCoopers, continues in office in accordance with Section 723(b) of the Companies Act, 2015.

APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors.

By order of the Board

JOHN KENNEDY OMANGA
COMPANY SECRETARY
3 November 2016

The Kenyan Companies Act requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and Company as at the end of the financial year and of the Group's profit. It also requires the directors to ensure that the Company maintains proper accounting records that disclose, with reasonable accuracy, the financial position of the Company. The directors are also responsible for safeguarding the assets of the Company.

The directors accept responsibility for the preparation and fair presentation of financial statements that are free from material misstatements whether due to fraud or error. They also accept responsibility for:

(i) Designing, implementing and maintaining internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.
(ii) Selecting and applying appropriate accounting policies;
(iii) Making accounting estimates and judgments that are reasonable in the circumstances.

The directors are of the opinion that the financial statements give a true and fair view of the financial position of the Group and Company at 30 June 2016 and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act.

Nothing has come to the attention of the Directors to indicate that the Company and its Subsidiaries will not remain as a going concern for at least the next twelve months from the date of this statement.

Approved by the board of directors on 3 November 2016 and signed on its behalf by:

Peter T. Kanyago
Director

Benson K Ngari
Director

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF KENYA TEA DEVELOPMENT AGENCY HOLDINGS LIMITED

Report on the financial statements

We have audited the accompanying financial statements of Kenya Tea Development Agency Holdings Limited (the "Company") and its subsidiaries (together, the "Group"), as set out on pages 33 to 69. These financial statements comprise the consolidated statement of financial position at 30 June 2016, the consolidated income statement, 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 statement of financial position of the Company standing alone as at 30 June 2016 and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform our audit to obtain reasonable assurance that the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company at 30 June 2016 and of the financial performance and cash flows of the Group for the year then ended in accordance with International Financial Reporting Standards and the Kenyan Companies Act.

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Partners: A Eriksson E Kerich K Muchiru M Mugasa F Muriu P Ngahu A Murage S N Ochieng' R Njoroge B Okundi K Saiti R Shah

Report on other legal requirements

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

i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

ii) in our opinion proper books of account have been kept by the Company, so far as appears from our examination of those books; and

iii) the Company's statement of financial position and statement of comprehensive income are in agreement with the books of account.

The engagement partner responsible for the audit resulting in this independent auditor's report is FCPA Richard Njoroge - P/No 1244.

PricewaterhouseCoopers

Certified Public Accountants
Nairobi

16 November 2016

CONSOLIDATED INCOME STATEMENT

	Notes	Year ended 30 June 2016 Shs'000	Year ended 30 June 2015 Shs'000
Revenue	5	23,296,500	17,136,395
Other income	6	1,472,079	1,161,421
		24,768,579	18,297,816
Raw materials, consumables used and changes in inventories of finished goods and work in progress	8	(18,256,207)	(13,002,167)
Employee benefits expense	9	(1,816,401)	(1,691,605)
Impairment of restricted cash	26	(1,697,321)	-
Depreciation and amortisation expense		(246,160)	(240,322)
Other expenses		(1,072,822)	(1,019,761)
Gain/ (loss) arising from changes in fair value less costs of sale for biological assets	19	29,697	(32,139)
Operating profit		1,709,365	2,311,822
Finance costs	7	(270,189)	(292,861)
Profit before income tax		1,439,176	2,018,961
Income tax expense	10	(378,704)	(534,659)
Profit for the year (of which Shs 559 million (2015 : Shs 1,298 million) has been dealt with in the accounts of the Company)		1,060,472	1,484,302
Attributable to:			
Equity holders of the Company		1,065,162	1,467,528
Non-controlling interest		(4,690)	16,774
Profit for the year		1,060,472	1,484,302

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	2016 Shs'000	2015 Restated Shs'000
		Year ended 30 June	
Profit for the year		1,060,472	1,484,302
Other comprehensive income:			
Items that will be subsequently reclassified to profit or Loss			
(Loss)/ gains on revaluation of available-for-sale financial assets	23	(903,142)	1,776
Deferred tax credit on revaluation of available-for-sale financial assets		45,524	717,073
		(857,618)	718,849
Total comprehensive income for the year		202,854	2,203,151
Attributable to:			
Equity holders of the Company		207,544	2,186,436
Non-controlling interest		(4,690)	16,715
Total comprehensive income for the year		202,854	2,203,151

	Notes	As at 30 June 2016 Shs'000	30 June 2015 Restated Shs'000
Capital and reserves attributable to the Company's equity holders			
Share capital	12	10,108	10,108
Other reserves	13	1,543,466	2,400,933
Proposed dividends	11	272,445	514,497
Retained earnings		11,384,311	10,591,594
		13,210,330	13,517,132
Non-controlling interest		169,991	182,151
Total equity		13,380,321	13,699,283
Non-current liabilities			
Deferred income tax liabilities	14	5,597	89,389
Borrowings	28	972,590	1,522,213
Finance lease obligations	31	91,679	119,480
Provisions for other liabilities and charges	30	83,893	73,931
Total non-current liabilities		1,153,759	1,805,013
Total equity and non-current liabilities		14,534,080	15,504,296
Represented by			
Property, plant and equipment	15 (a)	3,071,509	2,304,821
Investment property	16	3,305,590	2,982,021
Intangible assets	17	43,093	38,229
Prepaid operating lease	18	205	210
Biological assets	19	320,342	385,337
Non-current receivables and prepayments	21	381,477	388,728
Financial assets - available for sale	23	3,304,459	4,206,090
Deferred income tax assets	14	533,998	138,792
		10,960,673	10,444,228
Current assets			
Non-current asset held for sale	27	-	152,800
Inventories	22	3,029,322	1,852,243
Financial assets - available for sale	23	59,854	98,517
Equity investments at fair value through profit or loss	24	47,370	64,848
Current income tax		1,406	34,119
Receivables and prepayments	25	7,849,187	5,772,485
Cash and cash equivalents	26	7,394,152	3,984,537
		18,381,291	11,959,549
Current liabilities			
Borrowings	28	1,587,663	270,630
Bank overdrafts	28	973,954	835,519
Payables and accrued expenses	29	12,032,219	5,669,093
Finance lease obligations	31	41,869	35,188
Current income tax		172,179	89,051
		14,807,884	6,899,481
Net current assets		3,573,407	5,060,068
		14,534,080	15,504,296

The financial statements on pages 33 to 69 were approved for issue by the board of directors on 3 November 2016 and signed on its behalf by:

Peter T. Kanyago
Director

Benson K. Ngari
Director

COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2016 Shs'000	30 June 2015 Restated Shs'000
Capital and reserves			
Share capital	12	10,108	10,108
Other reserves	13	1,531,819	2,388,369
Proposed dividends	11	272,445	514,497
Retained earnings		8,251,679	7,965,274
Shareholders' funds		10,066,051	10,878,248
Non-current liabilities			
Provisions for other liabilities and charges	30	42,226	28,488
Deferred income tax	14	-	53,014
Borrowings	28	274,215	591,837
		316,441	673,339
Equity and non-current liabilities		10,382,492	11,551,587
REPRESENTED BY			
Non-current assets			
Property, plant and equipment	15(b)	392,767	1,011,553
Investment property	16	5,486,500	3,695,800
Intangible assets	17	4,259	7,931
Biological assets	19	320,342	385,337
Investment in subsidiaries	20	1,146,118	1,146,118
Non-current receivables and prepayments	21	378,471	382,495
Financial assets - available for sale	23	3,304,459	4,206,090
Deferred tax	14	372,771	-
		11,405,687	10,835,324
Current assets			
Non-current asset held for sale	27	-	152,800
Inventories	22	27,544	7,551
Receivables and prepayments	25	1,947,972	1,413,930
Cash and cash equivalents	26	5,746,115	2,199,295
		7,721,631	3,773,576
Current liabilities			
Borrowings	28	272,612	118,367
Payables and accrued expenses	29	8,459,865	2,935,126
Current income tax		12,349	3,820
		8,744,826	3,057,313
Net current (liabilities)/ assets		(1,023,195)	716,263
NET ASSETS		10,382,492	11,551,587

The financial statements on pages 33 to 69 were approved for issue by the board of directors on 3 November 2016 and signed on its behalf by:

Peter T. Kanyago
Director

Benson K. Ngari
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital Shs'000	Other reserves Shs'000	Retained earnings Shs'000	Proposed dividends Sh'000	Non-controlling interest Shs'000	Total equity Shs'000
Year ended 30 June 2015							
At start of year		10,108	1,682,025	9,638,563	531,681	172,755	12,035,132
Total comprehensive income for the year							
Profit for the year		-	-	1,467,528	-	16,774	1,484,302
Other comprehensive income:							
Fair value gain on available-for-sale financial assets		-	1,860	-	-	(84)	1,776
Deferred income tax on fair value gain on available-for-sale financial assets	14	-	(717,048)	-	-	25	(717,073)
Total other comprehensive income		-	718,908	-	-	(59)	718,849
Total comprehensive income for the year		-	718,908	1,467,528	-	16,715	2,203,151
Transactions with owners, recorded directly in equity							
Distributions to owners							
Dividends:							
- Final for 2014 – paid		-	-	-	(531,681)	(7,319)	(539,000)
- Final for 2015 – proposed	11	-	-	(514,497)	514,497	-	-
Distributions to owners		-	-	(514,497)	(17,184)	(7,319)	(539,000)
At end of year		10,108	2,400,933	10,591,594	514,497	182,151	13,699,283

	Notes	Share capital Shs'000	Other reserves Shs'000	Retained earnings Shs'000	Proposed dividends Sh'000	Non-controlling interest Shs'000	Total equity Shs'000
Year ended 30 June 2016							
At start of year as previously reported		10,108	1,683,327	10,591,594	514,497	182,151	12,981,677
Prior year restatement on excess deferred tax on available for sale assets revaluation gain	34	-	717,606	-	-	-	717,606
Restated at start of year		10,108	2,400,933	10,591,594	514,497	182,151	13,699,283
Total comprehensive income for the year							
Profit for the year		-	-	1,065,162	-	(4,690)	1,060,472
Other comprehensive income:							
Fair value gain on available-for-sale financial assets		-	(902,926)	-	-	(216)	(903,142)
Deferred income tax on fair value gain on available-for-sale financial assets	14	-	45,459	-	-	65	45,524
Total other comprehensive income		-	(857,467)	-	-	(151)	(857,618)
Total comprehensive income for the year		-	(857,467)	1,065,162	-	(4,841)	202,854
Transactions with owners, recorded directly in equity							
Distributions to owners							
Dividends:							
- Final for 2015- paid		-	-	-	(514,497)	(7,319)	(521,816)
- Final for 2016- proposed	11	-	-	(272,445)	272,445	-	-
Distributions to owners		-	-	(272,445)	(242,052)	(7,319)	(521,816)
At end of year		10,108	1,543,466	11,384,311	272,445	169,991	13,380,321

COMPANY STATEMENT OF CHANGES IN EQUITY

Year ended 30 June 2015	Notes	Share capital Shs'000	Other reserves Shs'000	Retained earnings Shs'000	Proposed dividends Sh'000	Total equity Shs'000
At start of year		10,108	1,670,763	7,181,296	531,681	9,393,848
Total comprehensive income for the year						
Profit for the year		-	-	1,298,475	-	1,298,475
Other comprehensive income						
Deferred income tax on fair value gain on available-for-sale financial assets	34	-	717,606	-	-	717,606
Total comprehensive income for the year		-	717,606	1,298,475	-	2,016,081
Transactions with owners, recorded directly in equity;						
Distributions to owners						
Dividends:						
- Final for 2014 – paid	11	-	-	-	(531,681)	(531,681)
- Final for 2015 – proposed	11	-	-	(514,497)	514,497	-
Distributions to owners				(514,497)	(17,184)	(531,681)
At end of year		10,108	2,388,369	7,965,274	514,497	10,878,248

Year ended 30 June 2016	Notes	Share capital Shs'00	Other reserves Shs'000	Retained earnings Shs'000	Proposed dividends Sh'000	Total equity Shs'000
At start of year as previously reported		10,108	1,670,763	7,965,274	514,497	10,160,642
Prior year restatement on excess deferred tax on available for sale assets revaluation	34	-	717,606	-	-	717,606
Restated as at start of year		10,108	2,388,369	7,965,274	514,497	10,878,248
Total comprehensive income for the year						
Profit for the year		-	-	558,850	-	558,850
Other comprehensive income:						
Fair value gain on available-for-sale financial assets		-	(901,632)	-	-	(901,632)
Deferred income tax on fair value gain on available-for-sale financial assets	14	-	45,082	-	-	45,082
Total other comprehensive income		-	(856,550)	-		(856,550)
Total comprehensive income for the year		-	(856,550)	558,850	-	(297,700)
Transactions with owners, recorded directly in equity						
Distribution to owners						
Dividends:						
- Final for 2015 – paid		-	-	-	(514,497)	(514,497)
- Final for 2016 – proposed	11	-	-	(272,445)	272,445	-
Distribution to owners		-	-	(272,445)	(242,052)	(514,497)
At end of year		10,108	1,531,819	8,251,679	272,445	10,066,051

	Notes	For the year ended 30 June 2016 Shs'000	2015 Shs'000
Operating activities			
Cash generated from operations	32	4,097,860	2,505,993
Interest received	6	373,312	280,153
Interest paid	7	(239,709)	(155,336)
Income tax paid		(696,337)	(559,355)
Net cash generated from operations		3,535,126	2,071,455
Investing activities			
Purchase of financial assets available for sale	23	(1,631)	(553,822)
Purchase of financial assets fair value through profit and loss	24	-	(8,573)
Proceeds from sale of financial assets available for sale		36,381	80,016
Proceeds from sale of trees		26,392	5,988
Purchase of property, plant and equipment	15	(640,819)	(575,792)
Purchase of investment property	16	(39,087)	(222,765)
Purchase of software	17	(27,156)	(21,562)
Proceeds from disposal of property, plant and equipment		61,516	17,962
Dividend received	6	95,984	96,209
Net cash used in investing activities		(488,420)	(1,182,339)
Financing activities			
Net proceeds from borrowings		767,410	378,510
Dividend paid		(521,816)	(539,000)
Finance lease received	31	10,509	18,903
Finance lease payments	31	(31,629)	(24,279)
Net cash generated from(used in) /financing activities		224,474	(165,866)
Net increase in cash and cash equivalents		3,271,180	723,250
At start of year cash, cash equivalents and bank overdrafts at beginning of year		2,664,636	2,425,768
Movement in restricted cash		(2,708,977)	(484,382)
Cash and cash equivalents at end of year	26	3,226,839	2,664,636

1. General information

Kenya Tea Development Agency Holdings Limited is incorporated in Kenya under the Companies Act as a public limited liability Company, and is domiciled in Kenya. The address of its registered office is:

KTDA Farmers Building
Moi Avenue/Ronald Ngala lane, Nairobi, Kenya.

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

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements are prepared in compliance with International Financial Reporting Standards (IFRS). The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below. The financial statements are presented in Kenya Shillings (Kshs), rounded to the nearest thousand.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

Changes in accounting policy and disclosures

(i) New standards, amendments and interpretations adopted by the Group
A number of amendments to standards arising from the annual improvement to IFRSs became effective for the first time in the financial year commencing 1 July 2015 and have been adopted by the Group. None of them has had an effect on the Group's financial statements.

(ii) New standards, amendments and interpretations not yet adopted
A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 July 2015, and have not been applied in preparing these financial statement. None of these is expected to have a significant effect on the financial statements of the Group, except the following set out below.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss.

Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The group is yet to assess IFRS 9's full impact.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The group is assessing the impact of IFRS 15.

IAS 1, 'Presentation of financial statements' These amendments are as part of the IASB initiative to improve presentation and disclosure in financial reports. Effective for annual periods beginning on or after 1 January 2016.

IFRS 16, "Leases". After ten years of joint drafting by the IASB and FASB they decided that lessees should be required to recognise assets and liabilities arising from all leases (with limited exceptions) on the balance sheet. Lessor accounting has not substantially changed in the new standard. The model reflects that, at the start of a lease, the lessee obtains the right to use an asset for a period of time and has an obligation to pay for that right. In response to concerns expressed about the cost and complexity to apply the requirements to large volumes of small assets, the IASB decided not to require a lessee to recognise assets and liabilities for short-term leases (less than 12 months), and leases for which the underlying asset is of low value (such as laptops and office furniture).

Amendment to IAS 16 'Property, plant and equipment' and IAS 38,'Intangible assets' on depreciation and amortisation. The amendments clarify that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. In addition, revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. The amendments are effective for annual periods beginning on or after 1 January 2016.

Annual improvements 2014. These set of amendments, effective 1 January 2016, impacts 4 standards:
- IFRS 5, 'Non-current assets held for sale and discontinued operations' regarding methods of disposal.
- IFRS 7, 'Financial instruments: Disclosures', (with consequential amendments to IFRS 1) regarding servicing contracts.
- IAS 19, 'Employee benefits' regarding discount rates.

(b) Consolidation

(i) 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 uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred 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. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

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 subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) Transactions and non-controlling interests
The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized 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 recognized 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 recognized in other comprehensive income are reclassified to profit or loss.

(c) Functional currency and translation of foreign currencies

(i) Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Kenya Shillings, which is the Group's functional and presentation currency.

(ii) Transactions and balances
Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the income statement within 'other income' or 'other expenses'.

Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities, such as equities held at fair value through profit or loss, are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale financial assets, a re included in other comprehensive income.

(d) 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), returns, rebates and discounts and after eliminating sales within the Group.

Revenue is recognised when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised as follows:

(i) Sales of goods are recognised in the period in which the Group has delivered products to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery does not occur until the products have been accepted by the customer.

(ii) Management fees charged and sales of services are recognised in the period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a percentage of the total services to be provided.

(iii) Interest income is recognised on a time proportion basis using the effective interest method.

(iv) Dividends are recognised as income in the period in which the right to receive payment is established.

(e) Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Freehold land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost less their residual values over their estimated useful lives, as follows:

Buildings	2.5%
Leasehold improvements	10%
Lorries and tractors	25%
Motor vehicles	25%
Equipment and furniture	10 -12.5%
Computers	30%
Plant and machinery	7.5%
Road works	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

An asset's carrying amount is written down immediately to its estimated recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are included in the income statement.

(f) Investment property

Buildings, or part of a building, (freehold or held under a finance lease) and land (freehold or held under an operating lease) held for long term rental yields and/or capital appreciation and are not occupied by the Group are classified as investment property under non-current assets. Investment property is carried at fair value, representing open market value determined annually by external valuers. Changes in fair values are included in other operating income in the income statement.

(g) Intangible assets

Intangible assets relate to computer software. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (three to five years).

Costs associated with maintaining computer software programmes are recognised as an expense is incurred.

(h) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(i) Financial assets

(i) Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates such designation at every reporting date:

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the statement of financial position date. These are classified as non-current assets. Loans and receivables are included in receivables and prepayments in the statement of financial position.

The Group's loans and receivables comprise 'trade and other receivables', 'non current receivables and prepayments' in the statement of financial position.

(c) Available-for-sale financial assets
Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the statement of financial position date.

(ii) Recognition and measurement
Regular purchases and sales of financial assets are recognised on the trade date, which is the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value, plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss is initially recognised at fair value, and transaction costs are expensed. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in profit or loss.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the income statement when the Group's right to receive payments is established.

(j) Impairment of financial assets

The Group assesses at each statement of financial position date whether there is objective evidence that a financial asset or a Group of financial assets is impaired. A financial asset or a Group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or Group of financial assets that can be reliably estimated. The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower (for example, equity ratio, net income percentage of sales);
- Breach of loan covenants or conditions; and
- Deterioration in the value of collateral.

The Group first assesses whether objective evidence of impairment exists

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria referred to (a) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the income statement.

(k) Accounting for leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the lease property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in non-current liabilities. The interest element of the finance charge is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Property, plant and equipment acquired under finance leases are depreciated over the shorter of the assets useful life and the lease term.

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity), but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and applicable variable selling expenses.

(m) Receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all the amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the profit or loss.

(n) Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(o) Share capital

Ordinary shares and preference shares are classified as 'share capital' in equity.

(p) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(q) Bank deposits

Bank deposits with maturities greater than 3 months do not qualify to be disclosed as cash and cash equivalents.

(r) Employee benefits

(i) Retirement benefit obligations
The Group operates a defined contribution retirement benefit scheme for its permanent employees. A defined contribution scheme is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The assets of pension and provident schemes are held in separate trustee administered funds, which are funded by contributions from both the Group and employees for pension fund and employee's contribution for the provident fund. The Group and all its employees also contribute to the National Social Security Fund, which is a defined contribution scheme.

A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. The company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

(ii) Gratuity

The Group pays a gratuity to management staff on contract. The gratuity is paid at the end of the contract period at the rate of 25% of total basic salary over the contract period. An accrual is made for gratuity based on the rate of 25%.

Service gratuity is provided in the financial statements as it accrues to each employee for Chai Trading and Kenya Tea Packers Limited. A provision is made for the estimated liability for such entitlements as a result of services rendered by employees up to the financial reporting date.

The unionisable staff of some Group entities who resign or retire at retirement age or whose services are terminated for reasons other than gross misconduct are entitled to service gratuity payments in accordance with the prevailing Collective Bargaining Agreement. A provision is made for the estimated liability for the services rendered up to the financial reporting date, using actuarial principles.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation

The liability recognised in the statement of financial position in respect of unionisable staff gratuity is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise

Past-service costs are recognised immediately in income.

(iii) Other entitlements
The estimated monetary liability for employees' accrued annual leave entitlement at the statement of financial position date is recognised as an expense accrual.

(iv) Termination benefits
Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(s) Current and deferred income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of the tax enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements. However, if the deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax liability is settled.

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities.

(t) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method; any differences between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

(u) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(v) Dividends

Dividends payable to the Company's shareholders are charged to equity in the period in which they are declared. Proposed dividends are shown as a separate component of equity until declared.

(w) Biological assets

Biological assets are measured on initial recognition and at each statement of financial position date at fair value less estimated costs to sell. Any gains or losses arising on initial recognition of biological assets and from subsequent changes in fair value less estimated costs to sell are recognised in the income statement in the year in which they arise.

The fair value of tea bushes and tree plantations is determined based on the net present values of expected future cash flows, discounted at current market-determined pre-tax rates.

All costs of planting, upkeep and maintenance of biological assets are recognised in the income statement under cost of production in the period in which they are incurred.

(x) Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

(i) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Income taxes

The Group is subject to income taxes and significant judgment is required in determining the Group's provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Biological assets

Critical assumptions are made by the directors in determining the fair values of biological assets. The carrying amounts of the biological assets and key assumptions made in estimating these amounts are set out in Note 19.

Fair values of financial assets

Fair values of certain financial assets recognized in the financial statements may be determined in whole or part using valuation techniques based on assumptions that are not supported by prices from current market transactions or observable market data.

The fair value of financial instruments that are not quoted in active markets are determined by using valuation techniques. Where valuation techniques (for example models) are used to determine fair values, they are validated and periodically independently reviewed by qualified senior personnel. To the extent practical, models use observable data.

Impairment of available for sale equity investments

The Group determines that available for sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Group evaluates among other factors, the normal volatility in the share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

Impairment losses on loans and advances

The Group reviews its loan portfolios to assess impairment at least on a yearly basis. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a Group, or national or local economic conditions that correlate with defaults on assets in the Group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Receivables
Critical estimates are made by the management in determining the recoverable amount of impaired receivables.

Useful lives of property, plant and equipment
Critical estimates are made by the management in determining depreciation rates for equipment and motor vehicles. The rates used are set out in Note 2 (e) above.

Impairment of restricted cash
Critical estimates have been made by management in determining the receivable amount of funds held in two banks that have been placed under receivership.

(ii) Critical judgements in applying the entity's accounting policies

In the process of applying the Group's accounting policies, management has made judgements in determining:
- the classification of financial assets and leases
- whether land and buildings meet the criteria to be classified as investment property
- whether assets are impaired.

4 Financial risk management objectives and policies

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

Risk management is carried out by the finance department under policies approved by the Board of Directors.

<u>Market risk</u>

(i) Foreign exchange risk
The Group purchases and sells made tea and imports packaging and other materials in US dollars and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions, and recognised assets and liabilities.

Currency exposure arising from liabilities denominated in foreign currencies is managed primarily through the holding of bank balances in the relevant foreign currencies.

At 30 June 2016, if the Shilling had weakened/strengthened by 10% against the US dollar with all other variables held constant, consolidated post tax profit for the year would have been Kshs 136,121,000 (2015: Kshs 60,733,000) higher/lower, mainly as a result of US dollar receivables, borrowings and bank balances.

(ii) Price risk
The Group is exposed to equity securities price risk because of investments in quoted shares classified either as available-for-sale or at fair value through profit or loss. To manage its price risk arising from investments in equity and debt securities, the Group diversifies its portfolio, in accordance with limits set by the board. All quoted shares held by the Group are traded on the Nairobi Stock Exchange (NSE).

At 30 June 2016, if the NSE Index had increased/decreased by 10% with all other variables held constant and all the Group's equity instruments moved according to the historical correlation to the index, consolidated post tax profit for the year would have been Kshs 4,733,000 higher/ lower (2015: Kshs 6,484,800), and equity would have been Kshs 748,600 higher/ lower (2015: Kshs 6,484,800).

(iii) Cash flow and fair value interest rate risk
The Group's interest bearing financial liabilities exposed to cash flow interest rate risk relate to bank overdrafts and some borrowings as these are at variable rates. The Group also has short term deposits that earn interest at variable rates.

The Group regularly monitors financing options available to ensure optimum interest rates are obtained.

At 30 June 2016, an increase/decrease of 100 basis points in interest rates would have resulted in an decrease/increase in consolidated pre-tax profit of Kshs 3,016,406 (2015: Kshs 3,297,000).

Credit risk is managed by the finance departments of the Group companies. Credit risk arises from Government securities, corporate bonds, deposits held with banks, loans and advances as well as trade and other receivables. Neither the Group nor the Company has any significant concentrations of credit risk. The finance departments of the Group companies assess 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 ratings and utilisation of credit limits is regularly monitored.

The amount that best represents the Group's and Company's maximum exposure to credit risk at 30 June 2016 is as per the statement of financial position.

No collateral is held for any of these assets. All receivables that are neither past due nor impaired are within their approved credit limits, and no receivables have had their terms renegotiated, and management does not expect any losses from non-performance by these parties.

None of the assets are either past due or impaired except for the following amounts in trade receivables (which are due within 30 days of the end of the month in which they are invoiced) and in loans and advances. The trade receivables and loans and advances which were past due but not impaired relate to a number of independent customers for whom there is no history of default.

The ageing analysis of these trade receivables is as follows:

	Group		Company	
	2016 Shs'000	2015 Shs'000	2016 Shs'000	2015 Shs'000
Past due but not impaired:				
by up to 30 days	647,176	517,801	176,564	1,485
by more than 30 days	254,020	212,466	46,767	12,161
by more than 60 days	768,005	288,372	54,645	-
	1,669,201	1,018,639	281,976	13,646
Impaired	498,022	437,598	227,489	227,489

With the exception of Greenland Fedha Limited, all receivables past due by more than 60 days are considered to be impaired, and are carried at their estimated recoverable value.

Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, and the availability of funding from an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the Group companies maintain flexibility in funding by maintaining availability under committed credit lines. Management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flow.

The table below analyses the Group's and the Company's financial liabilities that will be settled on a net basis into relevant maturity Groupings based on the remaining period at the statement of financial 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		Company	
	Less than 1 year Shs'000	More than 1 year Shs'000	Less than 1 year Shs'000	More than 1 year Shs'000
At 30 June 2016:				
- bank overdraft and borrowings	2,561,617	972,590	272,612	274,215
- finance lease obligations	41,869	91,679	-	-
- payables and accrued expenses	12,032,219	-	8,459,865	-
	14,635,705	1,064,269	8,732,477	274,215
At 30 June 2015:				
- bank overdraft and borrowings	1,147,729	1,586,907	123,398	616,990
- finance lease obligations	35,188	119,480	-	-
- payables and accrued expenses	5,669,093	-	2,935,126	-
	6,852,010	1,706,387	3,058,524	616,990

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new capital or sell assets to reduce debt.

Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value at 30 June 2016.

Group	**Level 1**	**Level 2**	**Level 3**	**Total balance**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Assets as at 30 June 2016				
Financial assets at fair value through profit or loss	47,330	-	-	47,330
Available-for-sale financial assets				
– Equity instruments	915	-	-	915
– Government debt investments	-	52,368	-	52,368
– Corporate debt	-	6,571	-	6,571
– Unquoted shares	-	3,298,050	6,409	3,304,459
Total assets	48,245	3,356,989	6,409	3,411,643
Assets as at 30 June 2015				
Financial assets at fair value through profit or loss	64,848	-	-	64,848
Available-for-sale financial assets				
– Equity instruments	2,209	-	-	2,209
– Government debt investments	-	89,117	-	89,117
– Corporate debt	-	7,191	-	7,191
– Unquoted shares	-	4,199,681	6,409	4,206,090
Total assets	69,927	4,293,119	6,409	4,369,455

Company	**Level 1**	**Level 2**	**Level 3**	**Total balance**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Assets as at 30 June 2016				
Available-for-sale financial assets				
– Unquoted shares	-	3,298,050	6,409	3,304,459
Assets as at 30 June 2015				
Available-for-sale financial assets				
– Equity securities	-	4,199,681	6,409	4,206,090

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry Group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily NSE equity investments classified as trading securities or available-for-sale.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes of similar instruments;
- The fair value of government bonds and corporate debt is calculated as the present value of the estimated future cash flows based on Nairobi Securities Exchange yield curve;
- Other techniques, such as discounted cash flow analysis and earnings multiple, are used to determine fair value for the remaining financial instruments.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Level 3 investments are shares in tea factory companies in Kangaita and Kagochi. The cost approximates the fair value and there was no movement in the year.

5 Analysis of revenue by category

	Group	
	2016	**2015**
	Shs'000	**Shs'000**
Tea sales	18,905,893	13,640,870
Management fees	2,176,875	1,620,740
Warehousing income	1,199,924	1,233,126
Interest income	662,007	373,772
Fees and commissions income	216,442	167,475
Installation and maintenance	30,469	12,413
Fabrications	74,001	50,803
Agency fees	30,889	37,196
	23,296,500	17,136,395

6 Other income

	Group	
	2016	**2015**
	Shs'000	Shs'000
Rent income	102,420	93,952
Interest income on deposits	373,312	280,153
(Loss)/ gains on revaluation of financial assets at fair value through profit or loss (Note 23(a)	(17,478)	5,127
Fair value gain on investment property (Note 16)	486,682	298,055
Corporate guarantee income	126,207	15,818
Gain on sale of PPE	9,004	-
Loss on sale of trees	(68,300)	-
Kagochi and Kangaita farms green leaf sales income	120,252	76,507
Technical consultancy income	57,392	96,209
Dividend income	95,984	125,022
Others	186,604	170,577
	1,472,079	1,161,421

7 Finance costs

	Group	
Interest expense on borrowings and bank overdrafts	239,709	155,336
Net foreign exchange loss on translation of borrowings	30,480	137,525
	270,189	292,861

8 Profit before income tax

The following items have been charged/(credited) in arriving at the profit before income tax:

	Group	
	2016 Shs'000	2015 Shs'000
Changes in inventories of finished goods and work in progress	1,018,289	50,688
Raw materials and consumables used	(19,274,496)	(13,052,855)
Depreciation on property, plant and equipment (Note 15)	223,868	223,771
Amortisation of intangible assets (Note 17)	22,292	16,551
Operating lease rentals expensed (Note 18)	5	6
Provision for impairment of restricted cash (Note 26)	1,697,321	-
Investment property:		
- rental income	(56,415)	(93,952)
- operating expenses	-	33,301
- fair value gains (Note 16)	(486,682)	(298,055)
Losses (gains) arising from the change in fair value less costs to sell of biological assets (Note 19)	(29,697)	32,139
Receivables – provision for impairment losses (Note 25)	136,318	62,956
Employee benefits expense (Note 9)	1,816,401	1,691,605
Auditors' remuneration	11,721	10,585

9 Employee benefits expense

	Group	
	2016 Shs'000	2015 Shs'000
The following items are included within employee benefits expense:		
Salaries and wages	1,609,757	1,506,468
Retirement benefits costs:		
- Defined contribution scheme	97,440	105,873
- National Social Security Fund	3,489	3,564
Other staff costs	105,715	75,700
	1,816,401	1,691,605

10 Income tax expense

	Group	
Current income tax	812,243	665,986
Deferred income tax credit (Note 14)	(433,539)	(131,327)
Income tax expense	378,704	534,659

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

	2016 Shs'000	2015 Shs'000
Profit before income tax	1,439,176	2,018,961
Tax calculated at statutory tax rate - 30% (2015 – 30%)	431,753	605,688
Tax effect of:		
Income not subject to tax	(340,016)	(95,928)
Expenses not deductible for tax purposes	292,829	24,899
Under provision of current income tax in prior years	(5,862)	-
Income tax expense	378,704	534,659

11 Dividends per share

At the annual general meeting to be held on 3 December 2016, a final dividend in respect of the year ended 30 June 2016 of Shs 539.07 per share (2015 Shs 1,018 per share), amounting to a total of Shs 272,445,300 (2015: Shs 514,497,200) is to be proposed.

Payment of dividends is subject to withholding tax at a rate of 5% for residents with a shareholding not exceeding 12.5%.

12 Share capital

	Number of shares	Ordinary shares Shs'000
Balance at 1 July 2014, 30 June 2015 and 30 June 2016	505,400	10,108

The total authorised number of ordinary shares is 50 million with a par value of Shs 20 per share of which 505,400 are issued and fully paid.

13 Other reserves

	Group		Company	
	2016 Shs'000	2015 Shs'000	2016 Shs'000	2015 Shs'000
Fair value reserve – available - for - sale investments	1,543,466	2,400,933	1,531,819	2,388,369

The financial instruments revaluation reserve represents the surplus on revaluation of financial instruments net of deferred tax and is non-distributable.

14 Deferred income tax

Deferred income tax is calculated using the enacted income tax rate of 30% (2015: 30%). The movement on the deferred income tax account is as follows:

	Group		Company	
	2016 Shs'000	**2015 Shs'000**	**2016 Shs'000**	**2015 Shs'000**
At start of year	(49,403)	798,997	53,014	792,938
Credit to income statement (Note 10)	(433,539)	(131,327)	(380,703)	(22,318)
(Credited/ charged to equity	(45,459)	(717,073)	(45,082)	(717,606)
At end of year	(528,401)	(49,403)	(372,771)	53,014
Analysed as follows:				
Deferred income tax liabilities	5,597	89,389	-	53,014
Deferred income tax assets	(533,998)	(138,792)	(372,771)	-
At end of year	(528,401)	(49,403)	(372,771)	53,014

Consolidated deferred income tax assets and liabilities, deferred income tax charge/(credit) in the income statement, and deferred income tax charge to other comprehensive income are attributable to the following items:

2016 (Group)	**At 1 July 2015 Shs'000**	**Charge /(credit) to profit/loss Shs'000**	**Charge to OCI Shs'000**	**At 30 June 2016 Shs'000**
Accelerated capital allowances	127,090	125,144	-	252,234
Unrealised exchange gain	(42,200)	34,693	-	(7,507)
Provisions and reserves	(54,651)	(87,061)	-	(141,712)
Other temporary differences	(79,642)	(506,315)	(45,459)	(631,416)
	(49,403)	(433,539)	(45,459)	(528,401)

2015 (Group)	**At 1 July 2014 Shs'000**	**Charge /(credit) to profit/loss Shs'000**	**Charge to OCI Shs'000**	**At 30 June 2015 Shs'000**
Accelerated capital allowances	99,605	27,485	-	127,090
Unrealised exchange gain	(4,306)	(37,894)	-	(42,200)
Provisions and reserves	73,876	(128,527)	-	(54,651)
Other temporary differences	629,822	7,609	(717,073)	(79,642)
	798,997	(131,327)	(717,073)	(49,403)

Company deferred income tax assets are attributable to the following items
Deferred income tax liability (Company)

	2016 Shs'000	**2015 Shs'000**
Accelerated capital allowances	167,898	22,377
Provisions and reserves	9,043	748,243
Other deductible temporary differences	(549,712)	(717,606)
	(372,771)	53,014

15 Property, plant and equipment

a) Group	Buildings & freehold land	Plant & machinery	Vehicles & equipment	Work in progress	Total
Year ended 30 June 2015	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
At 1 July 2014					
Cost	1,059,947	995,158	1,143,897	395,070	3,594,072
Accumulated depreciation	(245,618)	(537,917)	(857,890)	-	(1,641,425)
Net book amount	814,329	457,241	286,007	395,070	1,952,647
Additions	16,227	60,988	53,682	444,895	575,792
Transfers from investment property	2,297	-	-	-	2,297
Disposals	-	(2,876)	(44,485)	-	(47,361)
Depreciation charge	(29,180)	(124,935)	(69,656)	-	(223,771)
Depreciation on disposals	-	2,876	42,341	-	45,217
	803,673	393,294	267,889	839,965	2,304,821
At 30 June 2015					
Cost	1,078,471	1,053,270	1,153,094	839,965	4,124,800
Accumulated depreciation	(274,798)	(659,976)	(885,205)	-	(1,819,979)
Net book amount	803,673	393,294	267,889	839,965	2,304,821
Year ended 30 June 2016					
At 1 July 2015					
Cost	1,078,471	1,053,270	1,153,094	839,965	4,124,800
Accumulated depreciation	(274,798)	(659,976)	(885,205)	-	(1,819,979)
Net book amount	803,673	393,294	267,889	839,965	2,304,821
Additions	2,404	152,483	36,421	449,610	640,918
Transfers	2,194	(724)	(1,470)	-	-
Transfers from WIP	1,068,762	17,647	-	(1,086,409)	-
Transfers from investment property	355,000	-	-	-	355,000
Disposals	-	(29,295)	(23,316)	-	(52,611)
Depreciation charge	(29,569)	(130,047)	(64,252)	-	(223,868)
W/off	-	(81)	-	-	(81)
Depreciation transfer	-	(371)	371	-	-
Depreciation on disposals	-	24,113	23,217	-	47,330
	2,202,464	427,019	238,860	203,166	3,071,509
At 30 June 2016					
Cost	2,506,831	1,193,381	1,164,729	203,166	5,068,107
Accumulated depreciation	(304,367)	(766,362)	(925,869)	-	(1,996,598)
Net book amount	2,202,464	427,019	238,860	203,166	3,071,509

b) Company	**Buildings & freehold land**	**Plant & machinery**	**Vehicles & equipment**	**Work in progress**	**Total**
Year ended 30 June 2015	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
At 1 July 2014					
Cost	251,741	326,584	133,447	388,371	1,100,143
Accumulated depreciation	(35,211)	(291,373)	(117,361)	-	(443,945)
Net book amount	216,530	35,211	16,086	388,371	656,198
Additions	7,341	4,077	7,550	450,260	469,228
Transfers from investment property	2,297	-	-	-	2,297
Disposals	(87,349)	-	(17,150)	-	(104,499)
Depreciation charge	(3,835)	(11,136)	(13,747)	-	(28,718)
Depreciation on disposal	-	-	17,047	-	17,047
	134,984	28,152	9,786	838,631	1,011,553
At 30 June 2015					
Cost	174,030	330,661	123,847	838,631	1,467,169
Accumulated depreciation	(39,046)	(302,509)	(114,061)	-	(455,616)
Net book amount	134,984	28,152	9,786	838,631	1,011,553
Year ended 30 June 2016					
At 1 July 2015					
Cost	174,030	330,661	123,847	838,631	1,467,169
Accumulated depreciation	(39,046)	(302,509)	(114,061)	-	(455,616)
Net book amount	134,984	28,152	9,786	838,631	1,011,553
Additions	203	49,980	4,681	454,119	508,983
Transfers to investment property	1,453	-	-	(1,108,391)	(1,106,938)
Disposals	-	(8,915)	(9,134)	-	(18,049)
Depreciation charge	(4,479)	(11,801)	(4,155)	-	(20,435)
Depreciation on disposal		8,618	9,035	-	17,653
	132,161	66,034	10,213	184,359	392,766
At 30 June 2016					
Cost	175,686	371,726	119,394	184,359	851,165
Accumulated depreciation	(43,525)	(305,692)	(109,181)	-	(458,398)
Net book amount	132,161	66,034	10,213	184,359	392,767

16 Investment property

	Group		Company	
	2016	2015	2016	2015
	Shs'000	Shs'000	Shs'000	Shs'000
At start of year	2,982,021	2,616,297	3,695,800	3,346,297
Additions	39,087	222,765	1,934	196,960
Fair value gains	486,682	298,055	529,028	307,639
Transfer (to)/ from PPE	(355,000)	(2,296)	1,106,937	(2,296)
Reclassification to asset held for sale	152,800	(152,800)	152,800	(152,800)
At end of year	3,305,590	2,982,021	5,486,500	3,695,800

The investment properties were valued by Gimco Limited and Advent Valuers, who are independent valuers, on 30 June 2015 and 30 June 2016 respectively.

Some properties that are classified as investment properties in the Company are treated as PPE at consolidation level since they are occupied by subsidiaries.

The following represents the fair value measurements as at 30 June 2016:

2016	Level 1	Level 2	Level 3	Total
	Shs'000	Shs'000	Shs'000	Shs'000
Group				
- Investment property	-	3,305,590	-	3,305,590
Company				
- Investment property	-	5,486,500	-	5,486,500

2015	Level 1	Level 2	Level 3	Total
	Shs'000	Shs'000	Shs'000	Shs'000
Group				
- Investment property	-	2,982,021	-	2,982,021
Company				
- Investment property	-	3,695,800	-	3,695,800

There were no transfers between any levels during the year.

Level 2 fair values of investment property have been derived using the sales comparison approach. Sales prices of comparable land and buildings in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot and size of the building.

17 Intangible assets

	Computer software licenses	
	Group	Company
	Shs'000	Shs'000
At 1 July 2014		
Cost	126,534	36,981
Accumulated amortization and impairment	(93,316)	(27,244)
Net book value	33,218	9,737
Year ended 30 June 2015		
Opening net book amount	33,218	9,737
Additions	21,562	2,777
Amortization	(16,551)	(4,583)
Net book amount	38,229	7,931
At 1 July 2015		
Cost	148,096	39,758
Accumulated amortization and impairment	(109,867)	(31,827)
Net book value	38,229	7,931
Year ended 30 June 2016	38,229	7,931
Opening net book amount		
Additions	27,156	-
Amortization	(22,292)	(3,672)
Closing Net book amount	43,093	4,259
At 30 June 2016		
Cost	175,252	39,758
Accumulated amortization and impairment	(132,159)	(35,499)
Closing net book amount	43,093	4,259

Software development costs comprise expenditure directly associated with the production identifiable and unique software products controlled by the Group that will generate economic benefits exceeding costs beyond one year.

18 Prepaid operating lease rentals – Group

	2016 Shs'000	2015 Shs'000
Cost		
At start and end of year	418	418
Amortization		
At start of the year	(208)	(202)
Charge for the year	(5)	(6)
At end of the year	(213)	(208)
Net book value		
At start of year	210	216
At end of year	205	210

19 Biological assets (Group and Company)

	Tea bushes Shs'000	Tree plantation Shs'000	Total Shs'000
Year ended 30 June 2015			
At start of year	322,214	101,250	423,464
Gains arising from changes in fair value less cost to sell	(31,569)	(570)	(32,139)
Sale of trees	-	(5,988)	(5,988)
At end of year	290,645	94,692	385,337
Year ended 30 June 2016			
At start of year	290,645	94,692	385,337
Gains/(losses) arising from changes in fair value less cost to sell	27,877	1,820	29,697
Sale of trees	-	(94,692)	(94,692)
At end of year	318,522	1,820	320,342

The table below presents the group's biological assets that are measured at fair value at 30 June:

2016	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Total Shs'000
Tea bushes				
- Mature	-	-	318,522	318,522
Tree plantation				
- Mature	-	-	1,820	1,820

2015	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Total Shs'000
Tea bushes				
- Mature	-	-	289,987	289,987
- Immature	-	-	658	658
Tree plantation				
- Mature	-	-	94,692	94,692

There were no transfers between any levels during the year.

The following unobservable inputs were used to measure the group's tea bushes and trees:

Description	Fair value as at 30 June 2016	Valuation technique	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Tea bushes	318,352	Discounted cash flows	Discounted rate Tea prices	19.50% USD1.80 to USD3.50 per Kg	The higher the discount rate, the lower the fair value The higher the tea prices the higher the fair value
Tree plantation	1,820	Discounted cash flows	Population		The higher the tree per acreage, the higher the fair value

Description	Fair value as at 30 June 2015	Valuation technique	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Tea bushes	290,645	Discounted cash flows	Discounted rate Tea prices	19.50% USD1.80 to USD3.50 per Kg	The higher the discount rate, the lower the fair value The higher the tea price, the higher the fair value
Tree plantation	94,692	Discounted cash flows	Population	3 per acreage	The higher the trees per acreage, the higher the fair value

Tea bushes and tree plantations are carried at fair value less cost to sell. The fair values of tea bushes and tree plantations were determined based on the discounted net present values of expected net cash flows from those assets, discounted at a current market-determined pre-tax rate. In determining the fair values of tea bushes and tree plantations, the directors have made certain assumptions about the yields and market prices of green leaf and cut trees in future years, and the cost of running the farms.

The key assumptions made concerning the future are as follows:

- Climatic conditions will remain the same;
- Estimated remaining useful life was projected over 24 to 29 years in respect of tea bushes and have attained maturity stage
- The market price of green leaf and cut trees in Kenya shilling terms will remain constant; and
- No account has been taken of inflation.

The discount rate applied to expected net cash flows was 19.5% per annum in respect of both tea bushes and tree plantations (2015: 19.50% and 19.50% respectively). The Group has 181.43 hectares of mature tea bushes and 0.76 hectares of immature tea bushes located at Kangaita and Kagochi tea farms in Kerugoya and Karatina respectively. A total of 2,088,715 Kgs (2015: 1,797,857.40 Kgs) of green leaf was produced in the year with a fair value less estimated costs to sell of Shs 87.1 million (2015: Shs 59.30 million).

20 Investment in subsidiaries (at cost)

The Group's interest in its subsidiaries, all of which are incorporated in Kenya and unlisted and all of which have the same year end as the Company, were as follows:

	Company % interest held	Cost 2016 Shs'000	Cost 2015 Shs'000
Kenya Tea Packers Limited	83.3%	395,318	395,318
Majani Insurance Brokers Limited	100%	5,200	5,200
Chai Trading Company Limited	100%	325,000	325,000
Tea Machinery and Engineering Co Limited	100%	250,000	250,000
Greenland Fedha Limited	100%	160,000	160,000
KTDA Power Company Limited	100%	10,100	10,100
KTDA Management Services Limited	100%	500	500
KTDA Foundation	100%	-	-
		1,146,118	1,146,118

The consolidated financial statements include the financial statements of all subsidiaries companies prepared to the end of the financial year. KTDA Foundation is a company limited by guarantee. Therefore, no investment has been made in the Foundation

The movement in the year is as summarised below:

	2016 Shs'000	2015 Shs'000
At start of year	1,146,118	969,322
Additions	-	176,796
At end of year	1,146,118	1,146,118

21 Non-current receivables and prepayments

These are made up of car loans and loans to staff by Kenya Tea Packers Limited and Kenya Tea Development Agency Holdings Limited. Car loans are repayable within a maximum of six years subject to economic useful life of the vehicle. The average interest rate of the car loans within the year was 7% per annum.

	Group		Company	
	2016 Shs'000	2015 Shs'000	2016 Shs'000	2015 Shs'000
Loans to staff	25,411	31,935	17,400	20,485
Less: loans receivable within 1 year (Note 25)	(15,174)	(14,447)	(10,168)	(9,230)
	10,237	17,488	7,232	11,255
Advances to KTDA Power (Note 33 (v))	-	-	371,239	371,240
Advances to regional power companies	371,240	371,240	-	-
	381,477	388,728	378,471	382,495

22 Inventories

	Group		Company	
Tea stocks	2,703,817	1,560,714	-	-
Stationery, spares and other consumables	255,345	274,626	-	-
Other stocks	70,160	16,903	27,544	7,551
	3,029,322	1,852,243	27,544	7,551

The cost of inventories recognised as an expense and included in the ‘cost of sales’ amounted to Shs 16.8 billion (2015: Shs 11.5 billion).

23 Financial assets – available for sale

	Group		Company	
	2016 Shs’000	2015 Shs’000	2016 Shs’000	2015 Shs’000
Current				
Treasury bonds	52,368	89,117	-	-
Corporate debt	6,571	7,191	-	-
Equity Instruments	915	2,209	-	-
	59,854	98,517	-	-
Non-current				
Unquoted equity shares	3,304,459	4,206,090	3,304,459	4,206,090
	3,364,313	4,304,607	3,304,459	4,206,090

The unquoted equity shares include an investment in Family Bank Limited shares. There was a revaluation loss of Shs 902 million for the year ended 30 June 2016. In addition, there is an investment by KTDA of Shs 6,409,000 in tea factory companies in Kangaita and Kagochi.

The movement in investments is as follows:

	Group		Company	
	2016 Shs’000	2015 Shs’000	2016 Shs’000	2015 Shs’000
At start of year	4,304,607	3,829,025	4,206,091	3,725,044
Additions	1,631	553,822	-	481,046
Disposals	(38,783)	(80,016)	-	-
Fair value gains/(loss)	(903,142)	1,776	(901,632)	-
	3,364,313	4,304,607	3,304,459	4,206,090

24 Equity investments at fair value through profit or loss

The movement in investments is as follows:

	Group	
	2016 Shs’000	2015 Shs’000
At start of year	64,848	51,148
Additions	-	8,573
Fair value (losses)/ gains	(17,478)	5,127
At end of year	47,370	64,848

25 Receivables and prepayments

	Group		Company	
	2016 Shs'000	2015 Shs'000	2016 Shs'000	2015 Shs'000
Trade receivables	2,811,398	2,920,975	337,201	238,270
Less: Provision for impairment losses	(498,022)	(437,598)	(227,489)	(227,489)
Net trade receivables	2,313,376	2,483,377	109,712	10,781
Loans and advances(Greenland Fedha)	3,519,456	1,661,553	-	-
Less: provisions for impairment losses	(71,827)	(26,291)	-	-
Amounts due from related parties (Note 33(v))	1,464,004	1,301,983	1,379,780	1,335,240
Staff loans (Note 21)	15,174	14,447	10,168	9,230
Other receivables	78,549	236,457	6,709	43,188
Prepayments	530,455	100,959	441,603	15,491
	7,849,187	5,772,485	1,947,972	1,413,930

Movements on the provision for impairment of trade receivables are as follows:

	Group		Company	
	2016 Shs'000	2015 Shs'000	2016 Shs'000	2015 Shs'000
At start of year	437,598	378,353	227,489	227,489
Provision in the year	64,491	89,911	-	-
Unused amounts reversed	-	(26,955)	-	-
Prior year recoveries	(4,067)	(3,711)	-	-
At end of year	498,022	437,598	227,489	227,489

The carrying value of receivables approximates their fair values.

26 Cash and cash equivalents

	Group		Company	
	2016 Shs'000	2015 Shs'000	2016 Shs'000	2015 Shs'000
Cash at bank and in hand	473,618	874,945	74,471	9,992
Short term bank deposits	6,920,534	3,109,592	5,671,644	2,189,303
	7,394,152	3,984,537	5,746,115	2,199,295

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:

	Group		Company	
	2016 Shs'000	2015 Shs'000	2016 Shs'000	2015 Shs'000
Cash and bank balances as above	7,394,152	3,984,537	5,746,115	2,199,295
Bank overdrafts (Note 28)	(973,954)	(835,519)	-	-
Restricted cash	(3,193,359)	(484,382)	(3,172,583)	(484,382)
	3,226,839	2,664,636	2,573,532	1,714,913

Included in the cash and cash equivalents balances is an amount of Shs 3.2 billion deposit held in Imperial Bank Kenya and Chase Bank Limited, which are financial institutions that have since been placed under receivership.

An analysis of this balance is as follows:

	Group		Company	
	2016 Shs'000	2015 Shs'000	2016 Shs'000	2015 Shs'000
Principal amount invested, including interest reinvestments	4,890,680	484,382	4,854,680	484,382
Provision for impairment	(1,697,321)	-	(1,682,097)	-
	3,193,359	484,382	3,172,583	484,382

KTDA Holdings had initially invested a total of Shs 4.3 billion on behalf of the factories. It was agreed that KTDA Holdings take up these deposits with effect from the respective dates of receivership- 13 October 2015 for Imperial Bank and 7 April 2016 for Chase Bank. KTDA Holdings will bear any loss from unrecovered principal amounts.

Consequently this amount has been included in the KTDA Holdings Limited bank balances, with a corresponding amount recognised in liabilities. A provision of Shs 1.697 billion (2015: Nil) has been taken up with respect to this amount based on management's assessment. Further adjustments to the balance will be made when more information regarding the situation of the two financial institutions becomes available.

As these funds are not available for immediate use by the Group they have been treated as restricted cash.

27 Non-Current Asset held for sale

The Group decided not to sell Nyali cottages based in Mombasa and they have been reclassified back to Investment Properties.

	Group		Company	
	2016 Shs'000	2015 Shs'000	2016 Shs'000	2015 Shs'000
Non-current Asset held for sale	-	152,800	-	152,800

28 Borrowings

Non-Current				
Bank borrowings	972,590	1,522,213	274,215	591,837
Current				
Bank borrowings	1,587,663	270,630	272,612	118,367
Bank overdraft	973,954	835,519	-	-
	2,561,617	1,106,149	272,612	118,367

The Group has overdraft facilities up to a limit of USD 14.5 million (2015: USD 14.5 million).

The carrying amount of the bank overdraft approximates to the fair value. The effective interest rate at the year end was 4.01% (2015: 3.3%). The facilities are annual facilities subject to review on the following dates:

- CfC Stanbic Bank - 1 July 2016
- Citi Bank - 1 January 2017

The overdraft limit was not exceeded without the lender's authority at any time during the year.

The two bank facilities are secured by a charge over certain motor vehicles.

The Group has borrowing facilities with the following institutions:

i. Co-operative Bank comprising an asset finance facility of Shs 100,000,000 at an annual rate of 3% above the three months treasury bill rate subject to a floor rate of 8.748%. The facility is repayable over a period of four years (2015: Shs100 million). The facility is secured by a charge over the specific assets procured.

ii. International Finance Corporation comprising of a loan of USD 4.8 million (2015: USD 7.2 Million) at 4.25% above 6 months Libor. The facility is repayable over a period of five years and is guaranteed by KTDA Management services Limited and Chai Trading company Limited.

iii. FMO loan of USD 10 million at a rate of 4% to Greenland Fedha Ltd was procured in February 2015 and is repayable in 8 bi-annual instalments which started in April 2016. The facility is guaranteed by Kenya Tea Development Agency Holdings Ltd.

iv. Investec South Africa Pty comprising of a loan of USD 0.6 million at 4.75% above 3 months Libor. The facility is repayable over a period of 3 years.

29 Payables and accrued expenses

	Group		Company	
	2016 Shs'000	2015 Shs'000	2016 Shs'000	2015 Shs'000
Trade payables	384,295	550,192	1,761	8,174
Amounts due to related companies (Note 33(vi))	10,253,905	4,510,985	8,293,012	2,785,702
Accrued expenses and other payables	1,394,019	607,916	165,092	141,250
	12,032,219	5,669,093	8,459,865	2,935,126

The carrying amounts of the above payables and accrued expenses approximate to their fair values.

30 Provision for other liabilities and charges

Provision for liabilities and charges relate to gratuity payable to KTDA Holdings Limited, Chai Trading Company Limited and Kenya Tea Packers Limited employees. For KTDA Holdings Limited, this benefit is payable to senior management, all of whom are on three year contract terms. The amount payable is 25% of the annual salary. The carrying values of the obligations approximate to their fair values.

For Kenya Tea Packers Limited, Chai Trading Company Limited and KTDA Holdings staff working in Kangaita and Kagochi, the service gratuity represents the present value of future obligations to unionisable staff in accordance with the Collective Bargaining Agreement.

The obligations' balances at 30 June were as follows;

	Group		Company	
	2016 Shs'000	2015 Shs'000	2016 Shs'000	2015 Shs'000
Gratuity	83,893	73,931	42,226	28,488

The movement in the unfunded employee benefits obligations in the year was as follows;

	Group		Company	
	2016 Shs'000	2015 Shs'000	2016 Shs'000	2015 Shs'000
At start of year	73,931	49,829	28,488	17,838
Charge to income statement	33,595	38,172	16,920	16,514
Utilised during the year	(23,633)	(14,070)	(3,182)	(5,864)
At end of year	83,893	73,931	42,226	28,488

The valuation movements in respect of the unionisable staff schemes have all been recognised in profit or loss as the actuarial gains are insignificant. These would ordinarily be recognised in other comprehensive income.

Assumptions regarding future mortality experience are set based on actuarial advice, published statistics and experience in the industry. Below are the main assumptions used in the valuation:

Discount rate	13%
Rate of salary escalation	8%
Retirement age	60 years

31 Finance lease obligations – Group

	2016 Shs'000	2015 Shs'000
Obligations due for settlement within 1 year	41,869	35,188
Obligations due for settlement within 2 to 5 years	91,679	119,480
	133,548	154,668

Movement in finance lease obligations

At start of year	154,668	160,044
Finance lease received	10,509	18,903
Repayments	(31,629)	(24,279)
At end of year	133,548	154,668

This relates to asset based financing facility for KETEPA Limited

32 Cash generated from operations – Group

Reconciliation of profit before income tax to cash generated from operations:

	2016 Shs'000	2015 Shs'000
Profit before taxation	1,439,176	2,018,961
Adjustments for:		
Interest income (Note 6)	(373,312)	(280,153)
Interest expense (Note 7)	239,709	155,336
Depreciation on property, plant and equipment (Note 15)	223,868	223,771
Amortisation of intangible assets (Note 17)	22,292	16,551
Amortisation of prepaid lease rentals (Note 18)	5	6
Gain on disposal of property, plant and equipment (Note 6)	(9,004)	(15,818)
(Gain)/ loss arising from changes in fair value less costs to sell of biological assets(Note 19)	(29,697)	32,139
Loss on sale of available for sale assets	2,402	-
Dividend income	(95,984)	(96,209)
Gain on revaluation of investment properties (Note 16)	(486,682)	(298,055)
Unrealised loss/(gain) on financial instruments-FVPL (Notes 24)	17,478	(5,127)
Plant, property and equipment written off (Note 15)	81	-
Depreciation on disposals (Note 15)	(47,330)	-
Loss on disposal of biological assets (Note 6)	68,300	-
Changes in working capital		
- Inventories	(1,177,079)	(113,408)
- Receivable and prepayments	(2,076,702)	(866,169)
- Payables and accrued expenses	6,363,126	1,710,442
- Provision for other liabilities and charges	9,962	24,102
- Non-current receivables	7,251	(376)
Cash generated from operations	4,097,860	2,505,993

33 Related party transactions

There are companies that are related to Kenya Tea Development Agency Holdings Limited through common shareholdings or common directorships. The following transactions were carried out with related parties:

The following transactions were carried out with related parties:

	Group	
i) Sale of goods and services	**2016 Shs'000**	**2015 Shs'000**
Other related parties	3,962,493	3,627,063
ii) Purchase of goods and services		
Other related parties	8,014,237	5,089,736

	Group	
iii) Key management compensation	**2016 Shs'000**	**2015 Shs'000**
Salaries and other short-term employment benefits	282,387	249,459
iv) Directors' remuneration		
Fees for services as a director	3,872	3,675
Other emoluments – Non executive directors	44,793	33,737
Other emoluments – Executive directors	61,570	56,425
Total remuneration of directors of the Company	110,235	93,837

v) Amounts due from related parties

Current	**Group**		**Company**	
	2016	**2015**	**2016**	**2015**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
KTDA managed tea factories	1,377,475	1,290,304	109,563	106,864
Majani Insurance Brokers Limited	-	-	9,767	48,698
Greenland Fedha Limited	-	-	1,006,664	910,787
Chai Trading Company Limited		-	-	37,429
KTDA Farmers Company Limited	5,474	10,527	5,474	10,527
KTDA Management Services Limited	-	-	129,143	148,519
KTDA Power Company Limited	-	-	65,785	66,285
Kenya Tea Packers Limited	-	-	6,623	5,785
KTDA managed regional power companies	81,054	1,152	43,412	-
KTDA Foundation	-	-	3,349	346
	1,464,004	1,301,983	1,379,780	1,335,240

Non Current	**Company**	
	2016	**2015**
	Shs'000	**Shs'000**
KTDA Power Company Limited	371,240	371,240

The amounts above were extended to KTDA Power in 2012 to lend to the regional power companies.

vi) Amounts due to related parties

	Group		**Company**	
	2016 Shs'000	**2015 Shs'000**	**2016 Shs'000**	**2015 Shs'000**
KTDA managed Tea factories	9,997,479	4,341,737	8,258,702	2,733,265
Kenya Tea Growers Association	105,977	169,248	-	-
Chai Trading Company Limited	-	-	1,480	-
KTDA managed regional power companies	150,449	-	-	-
Tea Machinery and Engineering Company Limited	-	-	32,830	52,437
	10,253,905	4,510,985	8,293,012	2,785,702

34 Prior period adjustment

The prior period adjustment relates to restatement of the deferred tax liability relating to unrealized revaluation gains on available for sale investments to reflect the newly legislated rate of 5%.

The capital gains tax relating to unlisted securities was confirmed as 5% in the Finance Act of 2014, which became effective from 1 January 2015. Adjustments to reflect the new rate should therefore have been made in the financial statements for the year ended 30 June 2015. The "other comprehensive income" for that year has been restated to reflect this adjustment. It is not necessary to present a third statement of financial position as the whole adjustment has been taken up in the year ended 30 June 2015, the year in which the law changed.

The effect of the restatement on the previously reported balance sheet for the year ended 30 June 2015 was as follows:

Group
Impact on statement of financial position

	Other reserves Shs'000	Deferred income tax liability Shs'000
As previously stated	1,683,327	806,995
Reversal of overprovision of deferred income tax	717,606	(717,606)
	2,400,933	89,389

Company
Impact on statement of financial position

As previously stated	1,670,763	770,620
Reversal of overprovision of deferred income tax	717,606	(717,606)
	2,388,369	53,014

Impact on statement of comprehensive income for the year ended 30 June 2015	**Comprehensive income for the year Shs'000**
As previously stated	1,485,545
Reversal of overprovision of deferred income tax	717,606
	2,203,151

35 Contingent liabilities

At 30 June 2016, the Group counter guarantees on behalf of third parties and pending litigations amount to Kshs 4,551,233,000 (2015: Kshs 4,779,330,000). The loans on which these guarantees have been given are not charged on the respective factory Company assets. It is not anticipated that any liability will arise from these guarantees.

	Group		Company	
	2016 Shs'000	2015 Shs'000	2016 Shs'000	2015 Shs'000
Guarantees	4,376,030	4,537,053	4,376,030	4,537,053
Claims on pending litigations	175,203	202,277	175,203	192,624
KRA claim	-	40,000		-
	4,551,233	4,779,330	4,551,233	4,729,677

In the opinion of directors, none of the above claims is expected to crystallize.

Factory balances with banks

The Group invests surplus cash on behalf of the factories. These balances are not included in the financial statements of Kenya Tea Development Agency Holdings Limited as they belong to the factories. As at 30 June 2016, Kshs 24.4 billion (2015: Kshs 10.3 billion) has been invested on behalf of the factories with various banks.

Kericho Governor Case

In the financial year 2015/2016, KTDA and its subsidiaries were enjoined in an industry wide case which was brought against them by the Governor of Kericho. The directors are of the opinion that the success of this case is remote.

36 Commitments

Capital commitments

Capital expenditure contracted for at the statement of financial position date but not recognised in the financial statements is as follows:

	Group		Company	
	2016	2015	2016	2015
	Shs'000	Shs'000	Shs'000	Shs'000
Authorized and contracted for	247,423	433,914	233,042	225,465
Authorized but not contracted for	492,140	583,325	428,196	494,796
	739,563	1,017,239	661,238	720,261

KPTC SMALL HYDROPOWER PROJECTS

KTDA Power Company (KTPC), a subsidiary of KTDA-Holdings, in conjunction with KTDA managed tea factories and regional power companies have invested in small hydropower projects to reduce the cost of energy which accounts for 30% of the total factory cost of production. KTPC is overseeing the construction of power plants in Gura, Chania, Iraru, North Mathioya, Lower Nyamindi, Nyambunde and South Mara. Other plants in the pipeline include: Kipsonoi, Chemosit, Rupingazi, Tindinyo, Kiringa, Ura, Kathita, Nyamasege and Kiptiget.

- Gura Small Hydropower Project
- Regional Power Company: Gura
- County: Nyeri
- Potential MW: 5.8
- Current Status: Commissioned

Factories to be connected:
- Chinga, Iriaini, Gitugi, and Gathuthi

- Iraru Small Hydropower Project
- Regional Power Company: Greater Meru
- County: Meru
- Potential MW: 1.50
- Current Status: Contractors on site

Factories to be connected:
- Kionyo

- North Mathioya Hydropower Power Project
- Regional Power Company: Metumi
- County:Muranga
- Potential MW: 5.60
- Current Status: Contractors on site

Factories to be connected:
- Githambo,
- Kanyenyaini,
- Gatunguru and Kiru

- Lower Nyamindi Hydropower Power Project
- Regional Power Company: Kirinyaga
- County: Kirinyaga
- Potential MW: 1.8
- Current Status: Contractors on site

Factories to connect:
- Kimunye and Thumaita

- Nyambunde Small Hydropower Project
- Regional Power Company: Nyakwana
- County: Kisii
- Potential MW: 2.00
- Current Status: Contractors on site

Factories to be connected:
- Nyankoba
- Kiamokama
- Ogembo
- Itumbe

- South Mara Small Hydropower Project
- Regional Power Company: Greater - Meru
- County: Tharaka Nithi
- Potential MW: 2.0
- Current Status: Contractors on site

Factories to be connected:
- Weru

- Chania Small Hydropower Project
- Regional Power Company: Chania
- County: Kiambu
- Potential MW: 1.00
- Current Status: Commisioned

Factories to be connected:
- Mataara and Ngere

- Kipsonoi Small Hydropower Project
- Regional Power Company: Settet
- County: Bomet; Potential MW: 3.6
- Construction to start soon
- Factories to connect: Kapkoros, Mogogosiek, Kapset, Kapkatet

- Rupingazi Small Hydropower Project
- Regional Power Company: Thuci
- County: Embu; Potential MW: 1.8
- Construction to start soon
- Factories to connect: Mungania, Rukuriri and Kathangariri

- Chemosit Small Hydropower Project
- Regional Power Company: Settet
- County: Kericho; Potential MW: 2.5
- Construction to start soon
- Factories to connect: Momul, Chelal, Tegat and Litein

Note: Other tea factories, not in the illustration, will be connected once the projects are complete and running.

KTDA
KENYA TEA DEVELOPMENT AGENCY (HOLDINGS) LTD

KEY MARKET Destinations

Key:
Potential markets
Traditional markets
Emerging & developing markets

KTDA

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