Sasini

Sasini Limited and Subsidiaries

A Member of Sameer Group

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2012

Contents   Page

Directors and Statutory Information	
Board of Directors	1 - 2
Management team	3 - 4
Notice of Annual General Meeting	5
Ilani ya Mkutano	6
Chairman's Statement	7 - 10
Taarifa ya Mwenyekiti	11 - 14
Graphical Highlights	15
Report of the Directors	16
Ripoti ya Wakurugenzi	17
Corporate Governance	18 - 21
Corporate Social Investment	22
Statement of Directors' Responsibilities	23
Report of the Independent Auditors	24

Financial Statements

Consolidated Statement of Comprehensive Income	25
Company Statement of Comprehensive Income	26
Consolidated Statement of Financial Position	27
Company Statement of Financial Position	28
Consolidated Statement of Changes in Equity	29 - 30
Company Statement of Changes in Equity	31 - 32
Consolidated Statement of Cash Flows	33
Company Statement of Cash Flows	34
Notes to the financial statements	35 - 75
Five years comparative statements	77 - 78
Notes	79

Form of proxy /fomu ya uwakilishi

Directions to Kamundu Estate

Directors and Statutory Information

Vision

" To be the leading agribusiness in Africa."

Mission

" To focus on innovative and efficient business practices, quality products and commitment to all our stake holders."

Directors

Dr. J.B. McFie, PhD, MBS	Chairman
Dr. M.J.C Mwangi, PhD	Managing Director
N. N. Merali, CBS	
A.H. Butt, CPA (K), FCCA	
S.N. Merali, MSc	
M.J. Ernest, BA (Hons), FCA *(British)*	
Mrs. L.W. Waithaka, MSc	
S.O. Mainda, EBS	(Appointed 21 September 2012)
I. A. Timamy, LLB (Hons), CPS (K)	(Resigned 11 December 2012)
P.W. Muthoka, BA (Hons), MA, MBS, FKIB, FKIM	(Resigned 21 September 2012)

Secretary

Mary Rebecca Ekaya, LLB, CPS (K)
P.O. Box 30151 – 00100
NAIROBI

Advocates

Shapley Barret & Company
P.O. Box 40286 - 00100
NAIROBI

Hamilton Harrison and Mathews
P.O. Box 30333 - 00100
NAIROBI

Timamy and Company Advocates
P.O. Box 87288 - 80100
MOMBASA

Registered Office and Principal Place of Business

Sasini House
Loita Street
P.O. Box 30151 - 00100
NAIROBI

Telephone
(254-020) 342166/71/72

Mobile
0722 200706, 0734 200706

E-mail
info@sasini.co.ke

Website
www.sasini.co.ke

Auditors

KPMG Kenya
16th Floor, Lonrho House
Standard Street
P.O. Box 40612 - 00100
NAIROBI

Bankers

Barclays Bank of Kenya Limited
Barclays Plaza
P.O. Box 46661 - 00100
NAIROBI

Commercial Bank of Africa Limited
Mara & Ragati Roads, Upper Hill
P.O. Box 30437 - 00100
NAIROBI

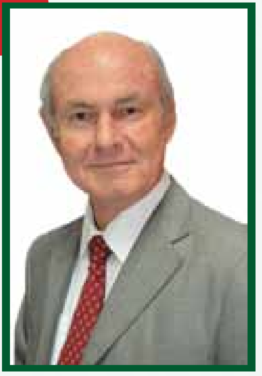
Equatorial Commercial Bank Limited
Nyerere Road
P.O. Box 52467 - 00200
NAIROBI

Kenya Commercial Bank Limited
Kiambu Branch
P.O. Box 81
KIAMBU

Standard Chartered Bank Kenya Limited
Kiambu Branch
P.O. Box 117-00900
KIAMBU

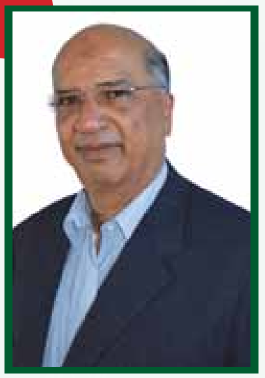
UBA Kenya Bank Limited
Ring Road, Vale Close Westlands
P.O. Box 34154 -00100
NAIROBI

Dr. James Boyd McFie, PhD
Chairman
Independent Non Executive



Nairobi born Dr. McFie is the Chairman of the Board of Directors. He holds a PhD in Accounting from the University of Strathclyde and an Masters of Mathematics from Oxford University. He is a Fellow of the Association of Chartered Certified Accountants and a Fellow of the Institute of Certified Public Accountants of Kenya (ICPAK). Dr McFie is a lecturer in Financial Reporting and Forensic Accounting at Strathmore University. Between 1993 and 2002 he was a Director of the Kenya Capital Markets Authority, a member of the Kenya Value Added Tax Tribunal and a Trustee of the Kenya Corporate Governance Trust and of Jitegemee Trust. He is a Director of the Standard Media Group Limited. He also serves as the Honorary Treasurer on the Board of Directors of AfriAfya, the African Network for Health Knowledge Management and Communication. He has been the Training Manager in Ernst and Young and a member of Education and Training Committee of ICPAK. Dr McFie joined the Sasini Board on 30th August 2007.

Mr. Naushad Noorali Merali
Non Executive



Mr. N N Merali is a businessman, the Chairman and Chief Executive officer of the Sameer Group of Companies. Sameer Group of Companies, is a leading conglomerate in Kenya (and a regional presence in East Africa) with interests in Agriculture and Agribusiness (Sasini Ltd and Sameer Agriculture & Livestock Ltd) Manufacturing (Sameer Africa Ltd and Eveready East Africa Ltd) Telecommunications (Airtel Networks Kenya Ltd, Altech Kenya Data Networks Ltd and Altech Swift Global Kenya Ltd), Financial Services (Equatorial Commercial Bank Ltd), Commercial (Ryce East Africa Ltd, Sasini Coffee Houses Ltd, Sameer EPZ Ltd and Sameer Industrial Park Ltd) and Sameer Business Park.

Mr. Merali has also served on various Presidential Committees relating to trade and social services and is a member of the National Economic Social Council. Owing to his contribution to the development and economic growth of Kenya, Mr. Merali has been awarded the honour of the highly prized national award of the Chief of the Order of the Burning Spear (CBS) and Elder of the Burning Spear (EBS). Mr. Merali has been a Director of Sasini Limited since 6th June 1989.

Mr. Akif Hamid Butt
Non Executive

Mr. A H Butt is a Fellow of the Association of Chartered Certified Accountants (ACCA) and a Certified Public Accountant of Kenya (CPA (K)) and has a wealth of experience in financial management, corporate planning and strategic management acquired over time.

He previously worked with PriceWaterhouse Coopers in Kenya and the East Africa Region, Liberia and England. He joined the Sameer Group in 1989 and is currently the Group's Finance Director. He represents the interest of the Sameer Group on the boards of various companies. He was appointed to the Board of Sasini Limited on 1st May 1990. Mr. Butt is also a Director of Sameer Africa Ltd and Eveready East Africa Limited, which are quoted on the Nairobi Securities Exchange.

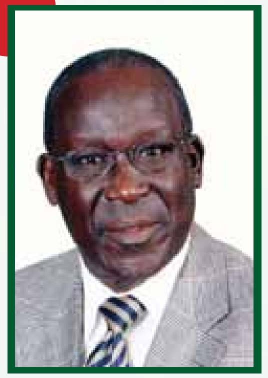
Mr. Martin John Ernest
Non Executive

Mr. M J Ernest holds a Bachelor of Arts Degree with Honours in Finance and Administration and is also a Fellow of the Institute of Chartered Accountants in England and Wales. He has vast experience in Finance, having worked in senior positions in a number of multinational companies. He started his sterling career with KPMG Chartered Accountants, UK as a Senior Manager, moving on to Phillips Petroleum Company (UK) Limited as Group Internal Audit Director (Europe and Africa). Thereafter he moved to Del Monte International Foods as Group Finance Manager and later took a posting to Del Monte Kenya Limited as Finance Director in 2002. He joined the Sameer Group in 2006 where he is now Executive Director of Sameer Investments Limited. He was appointed a Director of Sasini Limited on 26th May 2006.

Mrs. Lucy Waguthi Waithaka
Independent Non Executive

Mrs. L W Waithaka holds a Masters of Science degree in Horticulture and a Bachelor of Science degree in Agriculture. She has extensive experience in crop husbandry, post harvest handling, export marketing and business management having held senior positions in agriculture and international trade related institutions, namely, the Horticultural Crops Development Authority and the Fresh Produce Exporters Association of Kenya, where she was the chief executive before joining the Export Promotion Council of Kenya. She has served as a member of the Board of Directors of the Kenya Plant Health Inspectorate Service and is currently the General Manager, Small and Medium Enterprise Development, at the Export Promotion Council of Kenya. She was co-opted to the Board on 30th August 2007.

Mr. Steve Omenge Mainda
Non Executive



Mr. S O Mainda holds a Masters of Arts degree in Management. He is a member of the Chartered Institute of Insurance. Mr. Mainda has a wealth of experience in Finance, Insurance, Strategic Management and Education. He is currently the Chairman of Insurance Regulatory Authority and Housing Finance Company of Kenya Ltd which is also listed on the Nairobi Securities Exchange. He is a Director of Fina Bank Ltd and Ryce East Africa Ltd (a member of the Sameer Group of Companies). He joined the Board on the 21st September 2012.

Mr. Sameer Naushad Merali
Non Executive

Mr. S N Merali holds a Masters of Science degree in Banking and International Finance. Mr. Merali initially worked with Merrill Lynch International Bank Limited in the United Kingdom as Investment Analyst between October 2000 and February 2003. He joined Sameer Investments Limited in March 2003. He is the Chairman of Ryce East Africa Limited and Nandi Tea Estates Ltd. He is a Director of Sameer Investments Ltd and Sameer Africa Limited, a company listed on the Nairobi Securities Exchange Ltd. He is also an alternate Director of Sameer ICT Ltd, Altech Kenya Data Networks Ltd and Altech Swift Global Ltd. He joined the Board on 26th May 2006.

Board of Directors

Dr. Caesar J.M. Mwangi, PhD
Managing Director/ Executive

Over 25 years experience in General and Strategic management.

Prior to joining Sasini Ltd, he held a number of Senior Management Positions in various organizations in South Africa and in Kenya.

Holds Doctor of Philosophy (PhD) in Organizational Performance and Change Management from University of Johannesburg, Masters of Business Administration (MBA) from the Wits Business School at the University of Witwatersrand in Johannesburg, BA Economics (Hons) from the University of Nairobi, Certified Public Accountant of Kenya (CPA (K)), Member of Institute of Certified Public Accountants of Kenya (ICPAK)

Appointed as Managing Director, Sasini Limited in January 2009.

Mrs. Mary Rebecca Ekaya
Company Secretary / Group Legal Officer

Over 10 years experience in Legal practice

Prior to joining Sasini Ltd, she practiced Law as well as held senior position in the Insurance Industry

Holds Bachelor of Arts (BA) (Economics Major) (Hons), LLB Degree (Hons), Post Graduate Diploma in Legal Practice (Kenya School of Law), is an advocate of the High Court of Kenya, Commissioner for Oaths as well as a Notary Public. Member of Institute of Certified Public Secretaries of Kenya (ICPSK).

Appointed Group Legal Officer in October 2007 and Company Secretary in 2008

Management Team

Senior Management

Dr. Caesar J.M. Mwangi, PhD
Managing Director

Over 25 years experience in General and Strategic management.

Prior to joining Sasini Ltd, he held a number of Senior Management Positions in various organizations in South Africa and in Kenya.

Holds Doctor of Philosophy (PhD) in Organizational Performance and Change Management from University of Johannesburg, Masters of Business Administration (MBA) from the Wits Business School at the University of Witwatersrand in Johannesburg, BA Economics (Hons) from the University of Nairobi, Certified Public Accountant of Kenya (CPA (K)), Member of Institute of Certified Public Accountants of Kenya (ICPAK).

Appointed as Managing Director, Sasini Limited in January 2009.

Mr. Shashidhar Menon
General Manager, Tea Operations

Vast experience of over 32 years in managing tea estates & factories in India and Kenya.

Prior to joining Sasini Ltd, he held senior positions with Goodricke Group Ltd, India (a member of Camellia plc, UK) on their tea plantations, where he worked for 18 years.

Holds a Bachelor of Arts degree from the Madras Christian College, India.

Appointed General Manager, Kipkebe Ltd (a wholly owned subsidiary of Sasini Ltd) in January 2000. Prior to this, he held the position of Deputy General Manager, Kipkebe Ltd., for 1 year.

Mr. James Muriithi Kieu
General Manager, Coffee Operations

Vast experience of over 20 years in Managing Coffee and Tea Estates & Factories.

Prior to joining Sasini Ltd, he held senior positions within the Neumann Kaffee Gruppe managing Coffee and tea estates & factories both at local and International levels.

Holds a Diploma in Agricultural Engineering from Jomo Kenyatta University of Agriculture and Technology among other management and leadership courses.

Appointed General Manager, Coffee Operations in February 2004.

Mr. Samuel Kanga Odalo
Group Financial Controller

Over 25 years experience in Finance, Accounting and Audit.

Prior to joining Sasini Ltd, he held various senior Finance and Accounting positions in Agribusiness Industry.

Holds a Global Executive Masters of Business Administration (GeMBA) from United States International University (USIU) in partnership with Columbia Business School in New York, Bachelor of Science in Business Administration (Accounting) (Hons) from USIU, Certified Public Accountant of Kenya (CPA (K)), Member of Institute of Certified Public Accountants of Kenya (ICPAK).

Appointed Group Chief Accountant in June 2000 and Group Financial Controller in July 2009.

Mrs. Mary Rebecca Ekaya
Company Secretary / Group Legal Officer

Over 10 years experience in Legal practice.

Prior to joining Sasini Ltd, she practiced Law as well as held senior position in the Insurance Industry.

Holds Bachelor of Arts (BA) (Economics Major) (Hons), LLB Degree (Hons), Post Graduate Diploma in Legal Practice (Kenya School of Law), is an advocate of the High Court of Kenya, Commissioner for Oaths as well as a Notary Public. Member of Institute of Certified Public Secretaries of Kenya (ICPSK).

Appointed Group Legal Officer in October 2007 and Company Secretary in 2008.

Ms. Priscah Muthoni Keah
Head Of Human Resources

Over 10 years experience in Human Resource Management.

Prior to joining Sasini Ltd, she held various Senior Human Resources Management positions in Agribusiness and Manufacturing Industries.

Holds Masters of Business Administration (MBA) in Human Resources Management, Bachelor of Science (BSc.)(Mathematics) (Hons), Post Graduate Diploma in Human Resources Management and is a Member of the Institute of Human Resources Management (IHRM).

Appointed Head of Human Resources in July 2010.

Mr. Francis Kinyua Karimi
Sales & Marketing Manager

Over 15 years experience in Sales and Marketing (Distributor Model).

Prior to joining Sasini Ltd, he held Sales and Marketing Management positions in various Companies.

Holds Bachelor of Science (Biological Sciences) (Hons).

Appointed Sales and Marketing Manager in February 2009.

Teamwork is critical in the diverse activities we are involved in and regular management meetings ensure that the team exploits all synergies between the various business units and support functions.

Notice of Annual General Meeting

Notice is hereby given that the Sixty-first (61st) ANNUAL GENERAL MEETING of the members will be held at Kamundu Estate, Kiambu, on Friday 22nd February 2013, at 11.30 a.m, for the following purposes:

1. To confirm the minutes of the Sixtieth (60th) Annual General Meeting held on 2nd March 2012.

2. To receive, consider and if deemed fit, adopt the Annual Report and Financial Statements for the year ended 30th September 2012 together with the reports thereon of the Directors and of the Auditors.

3. To confirm the interim dividend of 50% paid on 6th July 2012 and to declare a final dividend of 25%

4. To elect the following Directors:
   I. Dr. J. B. McFie, a Director retiring by rotation, who being eligible, offers himself for re-election.
   II. Mrs. L.W. Waithaka a Director retiring by rotation, who being eligible, offers herself for re-election.
   III. Mr. S. O. Mainda, who was appointed a Director on the 21st September 2012 to hold office until the conclusion of this Annual General Meeting, and who being eligible, offers himself for re-election.

5. To confirm the Directors' emoluments.

6. To appoint KPMG Kenya as auditors for the ensuing year and authorize Directors to fix their remuneration.

7. To transact any other business which may be transacted at an Annual General Meeting.

By Order of the Board

Mrs. Mary Rebecca Ekaya
Company Secretary

Nairobi
18 December 2012

Notes.
- A member entitled to attend and vote at this meeting may appoint a proxy to attend and vote on his/her behalf, and such a proxy need not be a member of the Company.

- The form of proxy is enclosed.

Ilani ya Mkutano Mkuu wa Kila Mwaka

Ilani inatolewa hapa kuwa Mkutano Mkuu wa kila Mwaka wa sitini na moja (61) wa wanachama utafanyika katika shamba la Kamundu, Kiambu, Ijumaa, tarehe 22 Februari 2013, saa tano na nusu asubuhi kwa madhumuni yafuatayo:

1. Kuthibitisha matokeo ya Mkutano Mkuu wa Sitini (60) uliofanyika tarehe 2 Machi 2012.

2. Kupokea, kuchunguza na ikionekana sawa kuidhinisha Ripoti ya Mwaka na Taarifa za Kifedha za mwaka uliomalizikia tarehe 30 Septemba 2012, pamoja na taarifa za wakurugenzi na wakaguzi wa hesabu .

3. Kuthibitisha mgao wa faida wa muda wa asilimia 50 uliolipwa tarehe 6 Julai 2012 na kutangaza mgao wa mwisho wa faida wa asilimia 25.

4. Kuwachagua wakurugenzi wafuatao:
   I. Dkt. J. B. McFie, Mkurugenzi anayestaafu kwa zamu, ambaye kwa kuwa ana haki ya kuchaguliwa, anajitolea kuchaguliwa tena.
   II. Bi. L.W. Waithaka, Mkurugenzi anayestaafu kwa zamu, ambaye kwa kuwa ana haki ya kuchaguliwa, anajitolea kuchaguliwa tena.
   III. Bw. S. O. Mainda, Mkurugenzi aliyechaguliwa tarehe 21 Septemba 2012 kushikilia mamlaka mpaka kumalizika Mkutano Mkuu wa kila Mwaka, na ambaye kwa kuwa ana haki ya kuchaguliwa, anajitolea kuchaguliwa tena.

5. Kuidhinisha malipo ya Wakurugenzi.

6. Kuwachagua KPMG Kenya kama wakaguzi wa hesabu wa mwaka unaofuata na kuwaidhinisha wakurugenzi kuamua ujira wao.

7. Kushughulikia jambo lingine lolote linaloweza kushughulikiwa katika Mkutano Mkuu wa kila Mwaka.

Kwa Amri ya Halmashauri

Bi. Mary Rebecca Ekaya
Katibu wa Kampuni

Nairobi
Tarehe 18 Desemba 2012

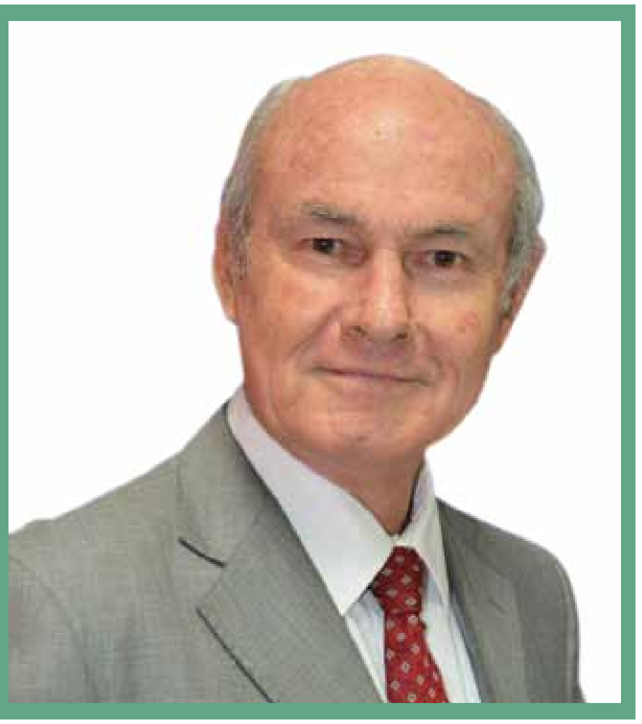
Maelezo
- Mwanachama mwenye haki ya kuhudhuria na kupiga kura katika mkutano huu aweza kuchagua mwakilishi kuhudhuria na kupiga kura kwa niaba yake na mwakilishi huyo si lazima awe mwanachama wa Kampuni.

- Fomu ya uwakilishi imeshikanishwa.

Economy and Business Environment

Future Prospects for Growth

" We have embarked on a diagnostic analysis of the nutrient levels in our coffee farms aimed at ultimately designing an optimal soil nutrient application plan to maximize the production of coffee."



Global and National Economy

The world economy has changed somewhat since September 2011. European growth has slowed sharply, and many economies in Europe are now in, or close to, recession. In the Middle East and North Africa (MENA), unrest is still present in some countries, depressing the outlook for the region even as some economies rebuild after earlier conflicts. In other regions, however, developments have been more positive. The United States has seen a spate of encouraging economic news, with growth increasing and unemployment falling. Asia has weathered the global slowdown well and looks headed for a soft landing. Latin America has shown resilience to the swings flowing from European developments over recent months. Finally, sub-Saharan Africa (SSA) has been surprisingly resilient to the European slowdown, reflecting an ongoing redirection of its economic linkages toward Asia. While growth prospects in much of the world have been marked down since the September 2011 World Economic Outlook, there were expectations for improvement in 2012 and beyond as a result of the combined policy measures taken across developed and emerging market economies [i].

In Kenya, there was a general slowdown in the economy between 2011 and 2012. This was reflected in reduced GDP growth as measured in the second quarter of 2012 and 2011. In 2012 the growth was 3.3 percent compared to 3.5 percent in 2011. This general slowdown was also reflected in comparisons with overall performance in earlier years where there was an overall declining trend between 2010 and 2011. In 2011 the economy grew by 4.4 percent while in 2010 it grew by 5.8 percent [ii].

Inflation has declined since the highs of close to 20 percent in November 2011. By September 2012, inflation stood at 5.3 percent reflecting the impact of aggressive monetary policy decisions taken by the Monetary Policy Committee which raised the Central Bank Rate (CBR) to 7% on 17th September 2011, to 11 % on 5th October 2011 and to 18% in December 2011.

Global Tea Trends

According to global figures provided for 2012, black tea production has seen a considerable drop in the first three quarters of the year 2012. In major producing countries and from information from trade bodies around the world, black tea output fell by 2.85 percent compared to the same period in 2011. This represents a drop of almost 42 million kilograms to 1,427.49 million kilograms despite rising demand. Almost all black tea producing nations have seen declines, with Kenya being the hardest hit; its output dropped by almost 12 million kilograms, closely followed by India where there was a decline of almost 11 million kilograms. Uganda, Indonesia, Sri Lanka, Tanzania and Zimbabwe all saw declines; the only country that posted an increase in production during the period was Bangladesh.

The shortfall in supply is primarily attributed to erratic weather conditions across the globe. Kenya, the world's largest exporter of black tea, experienced dry spells, poor rains and frosts in the early part of 2012; poor monsoon rains [iii] have reduced yields in Sri Lanka and India. Experts predict that this increase in a production-demand gap may continue, as production shortfalls squeeze the market and demand rises quickly in India and China.

The resultant decline in production volumes has seen the price of supermarket-quality tea increase dramatically during 2012. The wholesale price of black tea rose substantially from the beginning of the year, surpassing USD 4 a kilogram during the year. This is the highest price since late 2009, when prices reached USD 5.45 per kilogram.

Trends indicate that global black tea consumption is projected to rise 21% in the next 10 years. With reduced supplies from major producing countries like Kenya, Sri Lanka and India, there is likely to be upward pressure on prices given that tea plantation areas around the world remain the same, while demand continues to rise.

National Tea Trends

The year 2012 experienced a drop in national production volumes of tea. The production in 2011 was 377 million kg and this was expected to drop to 360 million kg in 2012. However prices improved in 2012 as indicated by the 2012 eight month performance report compiled by the Tea Board of Kenya which indicated an average growth of 4% in Kenya tea auction prices from USD 3.02 per Kg of made tea in 2011 to USD 3.15 in the 2012.

In terms of markets, Kenya is exporting to over 50 destinations. The top markets remain Egypt, Pakistan, the UK, Sudan and Afghanistan which collectively take about 70% of Kenya's total exports. Significant growth has been witnessed in traditional markets such as Egypt and Pakistan and in emerging markets such as the U.A.E, Russia, Somalia, Iran, Ireland, Djibouti, the USA and Turkey. Growth is attributed to enhanced promotion activities. By the end of 2012, Kenya expected to earn marginally more export earnings from Kshs. 109 billion in 2011 to Kshs. 110 billion in 2012.

Global Coffee Trends

In the twelve months ending October 2012, world exports of Arabica coffee totalled 66.19 million bags compared to 67.5 million bags in the previous year; Robusta exports amounted to 43.05 million bags compared to 37.01 million bags. [iv]

World coffee prices fell during the nine month period to September 2012 and they slipped further in October 2012. Early indications are that world production will continue to increase in 2012/13. World consumption is expected to remain buoyant. If the record expected production for 2012/13 is confirmed, the coffee market will move into a surplus of supply, although any impact on prices is likely to be modest, given the need to replenish stocks.

National Coffee Trends

Kenya has established herself as an important supplier of high quality coffee over time. The country supplied coffee worth USD 224 million in 2011, which accounted for 1% of world demand. Coffee accounted for about 4% of Kenya's total exports in 2011 placing it as the third largest export earner. The leading export products were tea, horticulture, coffee, apparels, iron and steel products, and tobacco products [v].

However, the Country's Coffee production has been on a worryingly downward trend. From a high of 65,167mt in 2001, production has declined to 43,096mt in 2010, 36,629mt in 2011 but improved to 49,003mt in 2012. Average prices at the Nairobi Coffee Exchange assumed a downward trend between 2011 and 2012. In 2011, the average price per kg was USD 6.73 and this declined by 32% in 2012 to USD 4.57 in 2012.

The declining national production situation is as a result of various factors, chief among them being the abandoning of growing of coffee by a large number of smallholder growers due to declining coffee prices during the period from 2001 to 2007; prices per kg were as low as USD 1.31 in 2003. Other factors include un-favourable weather conditions and the escalating land prices in some of the main coffee growing areas around Nairobi which are being transformed into real estate developments.

Group Financial Results

Overview

The year 2011/12 has seen a decline in the financial performance of the Sasini Group in relation to the previous year despite an increase in turnover of 4% to Kshs 2.78 billion from Kshs 2.66 billion in the previous year. Operating profit after tax attributable to the members decreased by 51% from Kshs 384.7 million, to Kshs 186.9 million in 2011/2012.

The decrease in the operating profitability was mainly due to a substantial drop in prices realized for coffee compared to the prior year. The results were also negatively impacted by rising costs of the main inputs particularly in relation to energy, farm inputs and labour. The drought experienced during the first three months of 2012 also resulted in a drop in the production of tea. After taking into account losses from changes in the fair value of biological assets, the loss for the year attributable to owners is Kshs 67.8 million compared to the prior year profit of Kshs 391.2 million. The reduction in the fair value of biological assets were driven mainly by the substantial drop in the value of coffee trees caused by the decline in the market prices.

Tea Production

During the year, our factories produced 8,826 Tons of made tea compared to 9,042 Tons in the previous year. The volume of tea produced was adversely affected by the drought experienced in the first three months of 2012.
The average price realized for tea was USD 2.31/kg compared to USD 2.25/kg in the previous Financial Year.

Coffee Production

During the year, our estates produced 980 Tons of Coffee compared to 863 Tons in the previous year. This 13% increase is attributed to more favourable growing conditions for coffee and improved crop husbandry.

Our performance at the Nairobi Coffee Exchange was impressive. Our subsidiary company Aristocrats Coffee and Tea Exporters Ltd, which is our commercial marketing arm, presented for sale 7,252 Tons of coffee at the auction compared to 5,913 Tons during the previous coffee year 2010/2011. This represents 16.72% of the total coffee volume offered for sale at the Auction during the period and is equivalent to a 40% increase in volumes supplied. This volume was the second highest among the eight participating coffee millers in the country. The average price for the year 2011/2012 of USD 235.5 per 50kg (USD 4.71 per kg) was however substantially lower than the average price of USD 367.5 per 50kg (USD 7.35 per kg) the previous year.

Social Responsibility

Sasini realizes that it exists with different stakeholders and its sustainable progress to a large extent depends on its relationships with other stakeholders.

The Company thus pays attention to its employees, the environment and the communities in which it operates. The company employs in excess of 4,000 employees and these are mainly sourced from the surrounding communities where its plantations are located. In order to ensure sustainable lifestyles for its employees, it provides well maintained housing, health services, social amenities and education facilities on the plantations.

Through its international certification programs for its plantations in both the tea and coffee sectors, the Company pays close attention to maintaining a sustainable environment and its tea farms are Rainforest Alliance certified and its coffee is UTZ Certified. These certification standards require attention to the environment and also fair labour practices and employee welfare issues.

Within the wider community, Sasini has contributed to the national peace agenda as the country approaches the next general elections in March 2013 by making financial contribution to the Mkenya Daima National Peace campaign coordinated by the Kenya Private Sector Alliance (KEPSA). Sasini also contributed to the national hunger alleviation campaign, "Kenyans for Kenya", coordinated by the Kenya Red Cross and the business sector through KEPSA.

The Company is totally committed to the ideals of Vision 2030 and continues to explore more ways to enhance its productivity and export earnings and to continue to be a responsible tax payer and employer of choice in its diverse locations.

Future Prospects for Growth

As part of our performance improvement initiatives, we have embarked on a diagnostic analysis of the nutrient levels in our coffee farms aimed at ultimately designing an optimal soil nutrient application plan to maximize the production of coffee at estate level.

We have also embarked on an uprooting and replanting program in our tea estates aimed at boosting productivity per hectare in the fields that have lower yields. In addition to the farm level yields, we are also improving our tea factories through machinery enhancements to boost factory efficiency and boost made tea quality and ultimately the prices we can command.

Chairman's Statement (Continued)

In order to enhance our sales margins and profitability, we continue to enhance our marketing activities with a view to increasing our direct sales volumes. We expect that all these initiatives will improve prospects for improved profitability in the future.

Acknowledgement

I wish to express my gratitude to the Sasini Management and staff for their commitment to the Company. I would also like to thank my colleagues on the Board for their continued unwavering support. In particular, I would like to thank two board members who resigned during 2012 to pursue other interests. These were Mr Peter Wanyaga Muthoka and Mr Issa Timamy. They both served diligently as Directors of Sasini for many years and I salute them for their exemplary service. Mr Steve Mainda was also appointed to the Board during 2012 and I would like to take this opportunity to welcome him.

Finally, on behalf of the Board, I wish to thank you, our esteemed shareholders for the trust bestowed upon us as your representatives. With your unwavering support, Sasini will continue to strive for sustainable growth for the benefit of all its stakeholders.

Dr J B McFIE
Chairman

18th December 2012

[i] *RESILIENCE IN EMERGING MARKET AND DEVELOPING ECONOMIES: WILL IT LAST? World Economic Outlook, October 2012*
[ii] *Economic Survey 2012, Kenya National Bureau of Statistics.*
[iii] *A system of winds that influences the climate of a large area and that reverses direction with the seasons*
[iv] *ICO Trade Statistics for October 2012 on www.ico.org*
[v] *Economic Survey, Kenya National Bureau of Statistics (2012)*

Future Prospects for Growth

↑

Social Responsibility

↑

Group Financial Results

↑

Economy and Business Environment

↑

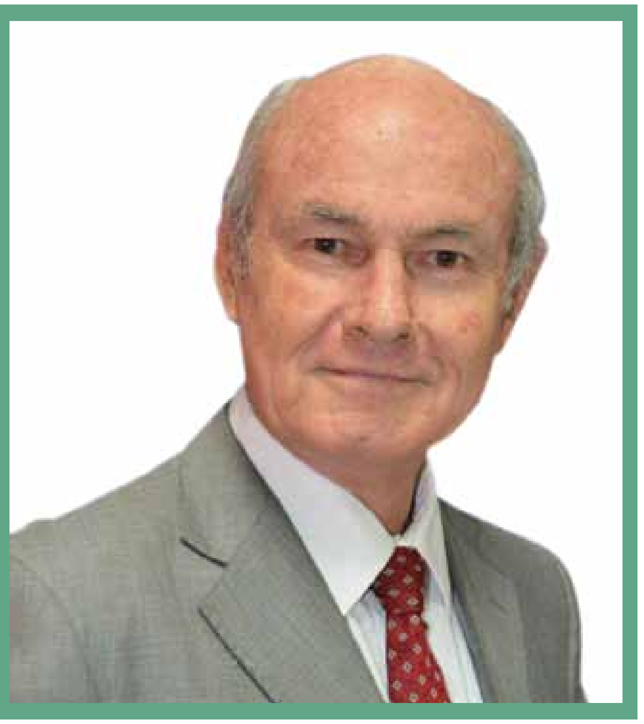
Sasini Ltd and Subsidiaries

Taarifa Ya Mwenyekiti

Mazingira ya Uchumi na Biashara

Matarajio ya Ukuaji ya Siku za Usoni

"tumeanza uchunguzi wa kubainisha viwango vya virutubishi katika mashamba yetu ya kahawa uliolengwa hatimaye kubuni mpango wa utumizi wa hali bora kabisa ya virutubishi vya mchanga kuongeza hadi upeo uzalishaji wa kahawa katika kiwango cha shamba."



Uchumi wa Kitaifa na Kilimwengu

Uchumi wa ulimwengu umebadilika kwa kiasi fulani kutokea mwezi Septemba 2011. Ukuaji wa Ulaya umepungua sana, na chumi nyingi katika eneo sasa ziko katika mdororo au zinakaribia hali hiyo.Katika Mashariki ya Kati na Afrika ya Kusini, hali ya kutokuwa na utulivu bado ipo katika baadhi ya nchi, ikichangia kukandamiza mtazamo wa eneo hilo hata ikiwa chumi nyingine zinajijenga baada ya migongano ya awali.Ijapokuwa katika maeneo mengine, maendeleo yamekuwa mazuri zaidi. Amerika imepata mfuriko wa habari za kutia moyo za kiuchumi, ukuaji ukiongezeka na ukosefu wa kazi ukipungua. Asia imekabili mpunguko wa kiuchumi vizuri na inaonekana inaelekea kwenye hali shwari. Amerika ya Kusini imeonyesha uthabiti katika mabadiliko haya kwa kukingwa na hatari kutokana na maendeleo ya Ulaya. Mwishowe, Afrika chini ya Sahara, kwa mastaajabu imenepa kwa mpunguo wa kiuchumi wa Ulaya, ikionyesha mgeuko wa mwelekeo unaoendelea wa mshikamano wao wa kiuchumi kuelekea Asia. Wakati kwingi ulimwenguni matarajio ya ukuaji yamekuwa chini kutokea Mtazamo wa Kiuchumi wa Ulimwengu mwezi Septemba 2011, kulikuwa na matarajio ya kuimarika katika mwaka 2012 na mbeleni kutokana na hatua za sera za pamoja zilizochukuliwa katika bei za soko za chumi zilizoendelea na zinazoanza.[i]

Kulikuwa na kupungua kwa ujumla katika uchumi nchini Kenya baina ya mwaka 2011 na mwaka 2012. Hili lilionyeshwa katika ukuaji wa jumla wa pato halisi la nchi kama lilivyopimwa katika robo ya pili ya mwaka 2012 na mwaka 2011. Katika mwaka 2012 ukuaji ulikuwa asilimia 3.3 ikilinganishwa na asilimia 3.5 ya mwaka 2011. Upunguaji huu wa kijumla pia ulionekana katika ulinganisho na utendaji wa jumla katika miaka ya awali ambapo kulikuwa na mwelekeo wa kupungua wa ujumla baina ya mwaka 2010 na mwaka 2011.Katika mwaka 2011 uchumi ulikua kwa asilimia 4.4 hali katika mwaka 2010 ulikua kwa asilimia 5.8.[ii]

Mfumko wa bei umepungua kutokea viwango vya juu vya kukaribia asilimia 20 katika mwezi Novemba 2011.Kufikia mwezi Septemba 2012, mfumko wa bei ulikuwa asilimia 5.3 ukionyesha athari ya hima ya maamuzi ya sera ya kifedha yaliochukuliwa na Kamati ya Sera ya Kifedha ambayo ilipandisha kiwango cha Benki Kuu kuwa asilimia 7 tarehe 17 Septemba 2011, kuwa asilimia 11 tarehe 5 Oktoba 2011 na kuwa asilimia 18 mwezi wa Desemba 2011.

Taarifa Ya Mwenyekiti

Mielekeo ya Kilimwengu ya Majani Chai

Kulingana na hesabu za kilimwengu za mwaka 2012, uzalishaji wa chai nyeusi umepungua kwa kiasi kikubwa katika robo tatu za kwanza za mwaka 2012. Katika nchi muhimu zinazozalisha majani chai na taarifa kutoka mashirika ya kibiashara ulimwengu mzima, uzalishaji wa majani chai nyeusi umeanguka kwa asilimia 2.85 ikilinganishwa na wakati kama huo mwaka 2011.Hii inawakilisha anguko la karibu kilo milioni 42 kuwa kilo milioni 1427.49 dhidi ya ongezeko katika mahitaji.Karibu nchi zote zinazozalisha majani chai nyeusi zimepata upungufu, Kenya ikiwa ilioathirika zaidi,uzalishaji wake ukipungua kwa karibu kilo milioni 12, ikifuatwa kwa karibu na India ambako kulikuwa na upungufu wa karibu kilo milioni 11 za mazao.Uganda,Indonesia, Sri lanka, Tanzania na Zimbabwe zote zilipata upungufu, nchi pekee iliopata ongezeko katika uzalishaji katika kipindi hiki ilikuwa Bangladesh.

Upungufu katika ugavi umesababishwa hasa na hali za anga zisizotabirika kote ulimwenguni.Kenya msafirishaji mkuu kabisa wa majani chai nyeusi ulimwenguni,ilipata vipindi vya ukame, mvua chache na jalidi katika kipindi cha mapema cha mwaka 2012; mvua [iii] kidogo ya pepo za msimu zilipunguza mazao nchini Sri lanka na India. Wataalamu wanatabiri kuwa ongezeko hili katika pengo la uzalishaji na mahitaji linaweza kuendelea, wakati upungufu wa uzalishaji unakamua soko na mahitaji kuongezeka haraka nchini India na Uchina.

Upungufu uliotokea katika wingi wa uzalishaji umefanya bei ya majani chai ya ubora wa maduka makuu kuongezeka maradufu katika mwaka 2012. Bei ya jumla ya majani chai nyeusi imeongezeka kwa kiwango kikubwa kutokea mwanzoni mwa mwaka, ikizidi USD 4 kwa kilo katika mwaka. Hii ndiyo bei ya juu zaidi kutokea mwishoni mwa mwaka 2009, wakati bei zilifikia USD 5.45 kwa kilo.

Mielekeo inaashiria kuwa utumizi wa kilimwengu wa majani chai nyeusi umetazamiwa kuongezeka kwa asilimia 21 katika miaka 10 ijayo.Kukiwa na ugavi uliopungua kutoka nchi kuu zinazozalisha kama Kenya, Sri lanka na India,kuna uwezekano kuwa na mshinikizo wa juu kwenye bei ikitambulikana kuwa eneo la mashamba ya majani chai kote ulimwenguni linabakia lile lile, hali mahitaji yakiendelea kuongezeka.

Mielekeo ya Kitaifa ya Majani Chai

Mwaka 2012 ulipata upungufu katika wingi wa uzalishaji wa majani chai wa kitaifa.Uzalishaji ulikuwa kilo milioni 377 katika mwaka 2011 na huu ulitarajiwa kupungua kuwa kilo milioni 360 katika 2012.Hata hivyo, bei zilizongezeka katika mwaka 2012 kama inavyoonyeshwa na ripoti ya utendaji wa miezi minane ya mwaka 2012 iliyotayarishwa na Halmashauri ya Chai ya Kenya ambayo imeonyesha ukuaji wa wastani wa asilimia 4 katika bei za mnada wa majani chai ya Kenya kutoka USD 3.02 kwa kilo ya majani chai yaliyotayarishwa katika mwaka 2011 kuwa USD 3.15

Mielekeo ya Kitaifa ya Majani Chai (continued)

katika mwaka 2012.

Kulingana na masoko, Kenya inasafirisha majani chai kwa nchi zaidi ya 50. Masoko makuu yakisalia Misri, Pakistan, Uingereza, Sudan na Afghanistan ambayo kwa pamoja yanachukua karibu asilimia 70 ya jumla ya mahuruji . Ongezeko la maana limeshuhudiwa katika masoko ya kiasili kama vile Misri na Pakistan na masoko yanayoanza kama vile U.A.E.,Urusi,Somalia, Iran, Ireland,Djibouti,Amerika na Uturuki. Ongezeko hili linatokana na utengemano wa kisiasa na kijamii katika Mashariki ya Kati na shughuli za utangazaji zilizoongezwa. Kufikia mwisho wa mwaka 2012, Kenya ilitarajia kupata ziada ndogo ya mapato ya mahuruji kutoka Kshs. bilioni 109 katika mwaka 2011 hadi Kshs. bilioni 110 katika 2012.

Mielekeo ya Kahawa ya Kilimwengu

Katika miezi kumi na miwili inayoishia na mwezi Oktoba 2012, mahuruji ya ulimwengu ya kahawa ya Arabika yalijumlisha magunia milioni 66.19 ikilinganishwa na magunia milioni 67.5 katika mwaka uliopita.[iv]Mahuruji ya Robusta yalijumlisha magunia milioni 43.05 ikilinganishwa na magunia 37.01. Mahuruji ya kahawa ya ulimwengu yalifikia magunia milioni 8.88 katika mwezi wa Oktoba 2012, ikilinganishwa na magunia milioni 7.57 katika mwezi wa Oktoba 2011.Mahuruji katika mwezi huu wa kwanza wa mwaka wa kahawa 2012/2013 (Oktoba 2012 hadi Septemba 2013) yameongezeka kwa asilimia 17.3 ikilinganishwa na mwezi wa kwanza wa mwaka wa kahawa uliopita.

Bei za kahawa za ulimwengu zilianguka katika kipindi cha miezi tisa kufikia Septemba mwaka 2012 na zilishuka zaidi katika mwezi wa Oktoba mwaka 2012.Dalili za awali ni kuwa uzalishaji wa ulimwengu utaendelea kuongezeka katika mwaka 2012/2013. Utumizi wa ulimwengu pia unatarajiwa kuendelea kuongezeka. Ikiwa uzalishaji wa rekodi unaotarajiwa wa mwaka 2012/2013 utathibitishwa, Soko la kahawa litapata ziada ya ugavi, ijapokuwa athari yoyote kwenye bei inawezekana kuwa ndogo, ikifikiriwa haja ya kushehemeza bidhaa.

Mielekeo Ya Kitaifa Ya Kahawa

Kenya imejithibitisha kama mgavi muhimu wa kahawa ya ubora wa juu kwa muda, Kenya ilitoa kahawa ya thamani ya USD milioni 224 katika mwaka 2011, ambayo ilijumuisha asilimia 1 ya mahitaji ya ulimwengu.Kahawa ilijumuisha karibu asilimia 4 ya jumla ya mahuruji ya Kenya katika mwaka 2011 ikiwekwa nambari tatu kati ya mapato ya mahuruji. Bidhaa za mahuruji zinazoongoza zilikuwa majani chai, kilimo cha bustani, kahawa, nguo, bidhaa za chuma na bidhaa za tumbaku. [v]

Ijapokuwa, uzalishaji wa kahawa wa nchi umekuwa na mwelekeo wa kupungua unaotia wasiwasi. Kutoka kwa kiwango cha juu cha tm 65,167 katika mwaka

2001,uzalishaji umeshuka kuwa tm 43,096 katika mwaka 2010, tm 36,629 mwaka 2011 lakini uliongezeka hadi tm 49,003 katika mwaka 2012. Bei za wastani katika Soko la Ubadilishaji kahawa la Nairobi zilichukua mwelekeo wa kupungua baina ya mwaka 2011 na mwaka 2012. Katika mwaka 2011, bei ya wastani kwa kilo ilikuwa USD 6.73 na hii ilipungua kwa asilimia 32 katika mwaka 2012 kuwa USD 4.57 katika mwaka 2012.

Hali ya upungufu wa uzalishaji wa kitaifa ni matokeo ya vipengele tofauti, kikuu kati yavyo ikiwa ni kuachwa kwa ukuzaji wa kahawa na idadi kubwa ya wakulima wadogo kutokana na kupungua kwa bei za kahawa katika kipindi baina ya mwaka 2001 na mwaka 2007; bei kwa kilo zilifikia kiwango cha chini sana cha USD 1.31 katika mwaka 2003. Vipengele vingine ni pamoja na hali za anga zisizofaa na bei za ardhi zinazoongezeka katika baadhi ya maeneo makuu ya ukuzaji wa kahawa karibu na Nairobi ambayo yanageuzwa kutumika katika ujenzi wa nyumba.

Matokeo ya Kifedha ya Kundi

Mtazamo

Mwaka 2011/2012 umeshuhudia upungufu katika utendaji wa kifedha wa Kundi la Sasini ukilinganishwa na mwaka uliotangulia dhidi ya ongezeko la mali iliyozalishwa ya asilimia 4 kuwa Kshs.bilioni 2.78 kutoka Kshs. bilioni 2.66 katika mwaka uliotangulia. Faida ya kuendeshea shughuli inayowaendea wanachama baada ya kodi ilipungua kwa asilimia 51 kutoka Kshs. milioni 384.7, kuwa Kshs. milioni 186.9 katika mwaka 2011/2012.

Upungufu katika faida ya kuendeshea shughuli ulitokana na kushuka kwa kiasi kikubwa kwa bei za kahawa zilizopatikana ikilinganishwa na mwaka uliotangulia.Matokeo pia yaliathiriwa kihasi na gharama zilizoongezeka za bidhaa muhimu hasa kuhusiana na nishati, pembejeo za ukulima na nguvukazi.Ukame uliokuwepo katika miezi mitatu ya kwanza ya mwaka 2012 pia ulisababisha upungufu katika uzalishaji wa majani chai. Baada ya kutilia maanani hasara zilizotokana na mabadiliko katika thamani ya haki ya rasilimali za biolojia, hasara ya mwaka inayowaendea wenye mali ni Kshs. milioni 67.8 ikilinganishwa na faida ya Kshs. milioni 391.2. Hasara zilizotokana na mabadiliko katika thamani ya haki ya rasilimali za kibiolojia zilitokana hasa na kupungua kwa kiasi kikubwa katika thamani ya miti ya kahawa kulikosababishwa na kupungua katika thamani ya usoni ya mauzo ya kahawa.

Uzalishaji wa Majani Chai

Katika mwaka, viwanda vyetu vilizalisha tani 8,826 za majani chai yaliotengenezwa ikilinganishwa na tani 9,042 katika mwaka uliotangulia.Wingi wa majani chai uliozalishwa uliathiriwa sana na ukame uliokuwepo katika miezi mitatu ya mwanzo wa mwaka 2012. Bei ya wastani iliopatikana ya majani chai ilikuwa USD 2.31 kwa kilo ikilinganishwa na USD 2.25 kwa kilo katika Mwaka wa Kifedha uliopita.

Uzalishaji wa Kahawa

Katika mwaka, mashamba yetu yalizalisha tani 980 za kahawa ikilinganishwa na tani 863 zilizozalishwa katika mwaka uliotangulia. Ongezeko hili la asilimia 13 limetokana na hali nzuri zaidi za ukuzaji wa kahawa na uimarikaji wa ukulima wa mimea.

Utendaji wetu katika soko la ubadilishaji kahawa la Nairobi ulikuwa wa kuvutia.Kampuni yetu ndogo ya Aristocrats Coffee and Tea Exporters Ltd, ambayo ndio sehemu yetu ya kibiashara na mauzo,iliwasilisha tani 7,252 za kahawa kuuzwa katika mnada ikilinganishwa na tani 5,913 katika mwaka wa kahawa 2010/2011.Hii iliwakilisha asilima 16.72 ya jumla ya wingi wa kahawa iliyotolewa kuuzwa katika mnada katika kipindi hiki na ni sawa na ongezeko la asilimia 40 katika wingi wa kahawa iliyotolewa. Wingi huu ndio wa pili kwa idadi miongoni mwa wasagaji wanane wa kahawa wanaoshiriki nchini. Ijapokuwa, bei ya wastani ya mwaka 2011/2012 ya USD 235.5 kwa kilo 50 (USD 4.71 kwa kilo) ilikuwa ya chini kuliko ya wastani ya USD 367.5 kwa kilo 50 (USD 7.35 kwa kilo) katika mwaka uliotangulia.

Wajibu wa Kijamii

Sasini inatambua kuwa imo katika mfumo wa ikolojia wa washika dau na maendeleo yake ya kujiendeleza kwa kiwango kikubwa yanategemea uhusiano wake na washika dau wengine.Kwa hivyo Kampuni inatilia maanani wafanyikazi wake, mazingira na jamii ambapo inajishughulisha.Kampuni inaajiri zaidi ya wafanyikazi 4000 na hawa hasa wanachukuliwa kutoka jamii zilizoko ambako mashamba yake yanapatikana.Ili kuhakikisha hali za kimaisha zinazokubalika kwa wafanyikazi wake, inatoa makao yanayowekwa vizuri, huduma za afya, huduma za kijamii na vifaa vya elimu katika mashamba.

Kupitia kwa mipango ya kuthibitishwa kimataifa kwa mashamba yake ya zote sekta za chai na kahawa, Kampuni inatilia maanani kuhifadhi mazingira na mashamba yake ya chai yamethibitishwa na Muungano wa Msitu wa Mvua na kahawa yake imethibitishwa na UTZ. Viwango hivi vya uthibitishaji vinatilia maanani zaidi mazingira na pia matendo ya haki ya nguvu kazi na maswala ya ustawi wa wafanyikazi.

Katika jamii pana zaidi, Sasini imechangia katika ajenda ya amani ya kitaifa kwa kutoa mchango wa kifedha kwa kampeni ya Amani ya Kitaifa ya Mkenya Daima inayoratibishwa na Kenya Private Sector Alliance(KEPSA) vile nchi inavyokaribia uchaguzi mkuu ujao mwezi Machi 2013. Sasini pia imechangia katika kampeni ya kitaifa ya kuondoa njaa inayojulikana kama Wakenya kwa Kenya inayoratibishwa na Kenya Red Cross na sekta ya biashara kupitia KEPSA.

Taarifa Ya Mwenyekiti (Continued)

Kampuni imejitolea kabisa kwa mifano kamilifu ya mwono 2030 na inaendelea kutafuta njia zaidi kuendeleza uzalishaji wake, mapato ya mahuruji na inaendelea kuwa mlipaji ushuru mwaminifu na mwajiri wa kupendwa katika maeneo yake mbalimbali.

Matarajio ya Ukuaji ya Siku za Usoni

Kama sehemu ya juhudi za uimarishaji wa utendaji wetu, tumeanza uchunguzi wa kubainisha viwango vya virutubishi katika mashamba yetu ya kahawa uliolengwa hatimaye kubuni mpango wa utumizi wa hali bora kabisa ya virutubishi vya mchanga kuongeza hadi upeo uzalishaji wa kahawa katika kiwango cha shamba.

Pia tumeanzisha mpango wa kun'goa na kupanda upya katika mashamba yetu ya majani chai unaolenga katika kuzidisha uzalishaji kwa hekta katika mashamba yanayotoa mazao ya chini. Pamoja na mazao ya kiwango cha shamba ,tunaimarisha viwanda vyetu vya majani chai kupitia kuboresha mashine ili kuzidisha ufanisi na kuzidisha ubora wa majani chai yaliyotengenezwa na mwishowe bei tunazoweza kuuliza.

Ili kuimarisha mauzo yetu ya ziada na faida, tunaendelea kuimarisha shughuli zetu za soko kwa lengo la kuongeza wingi wa mauzo yetu ya moja kwa moja. Tunataraji kuwa juhudi hizi zote zitaongeza matarajio ya faida ilioongezeka katika siku za usoni.

Shukrani

Ningependa kutoa shukrani zangu kwa Usimamizi wa Sasini na wafanyikazi kwa kujitolea kwao kwa Kampuni. Ningependa pia kuwashukuru wenzangu katika Halmashauri ya Sasini kwa usaidizi wao usiotetereka unaoendelea. Hasa, ningependa kuwashukuru wanachama wawili wa halmashauri waliojiuzulu katika mwaka 2012 kufuatilia mambo yao mengine.Hawa walikuwa Bw. Peter Wanyaga Muthoka na Bw. Issa Timamy.Wote walifanya kazi kwa bidii kwa miaka mingi kama Wakurugenzi wa Sasini na ninawashukuru kwa huduma yao ya kupigia mfano.Bw. Steve Mainda pia aliteuliwa kwenye Halmashauri katika mwaka 2012 na ningependa kuchukua fursa hii kumkaribisha.

Mwishowe, kwa niaba ya Halmashauri, ningependa kuwashukuru,wanahisa wetu wataadhima kwa imani muliotupatia kama wawakilishi wenu.Kwa usaidizi wenu usiotetereka, Sasini itaendelea kujitahidi kupata ukuaji unaofululiza kwa faida ya washika dau wake wote.

Dkt. J B McFIE

Tarehe 18 Desemba 2012

i RESILIENCE IN EMERGING MARKET AND DEVELOPING ECONOMIES: WILL IT LAST? World Economic Outlook, October 2012
ii Economic Survey 2012, Kenya National Bureau of Statistics.
iii A system of winds that influences the climate of a large area and that reverses direction with the seasons
iv ICO Trade Statistics for October 2012 on www.ico.org
v Economic Survey, Kenya National Bureau of Statistics (2012)

Matarajio ya Ukuaji ya Siku za Usoni

↑

Wajibu wa Kijamii

↑

Matokeo ya Kifedha ya Kundi

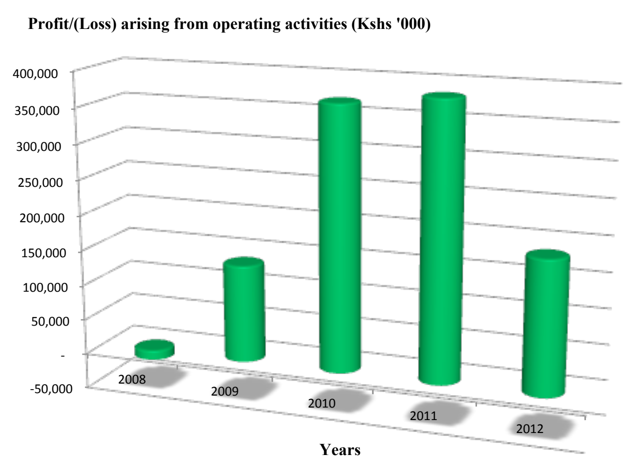
↑

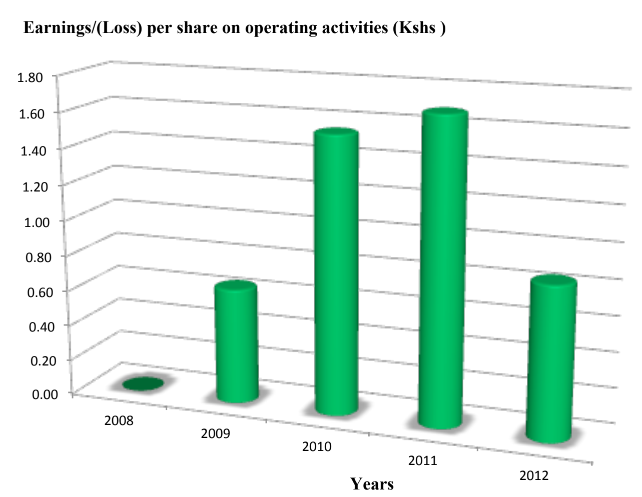
Mazingira ya Uchumi na Biashara

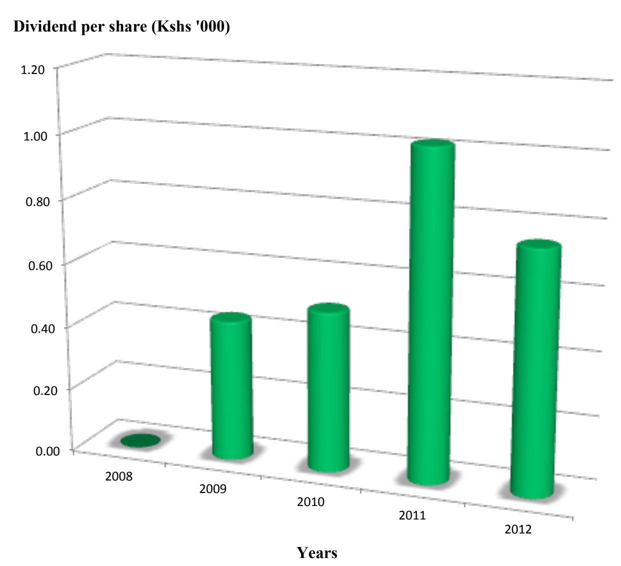
↑

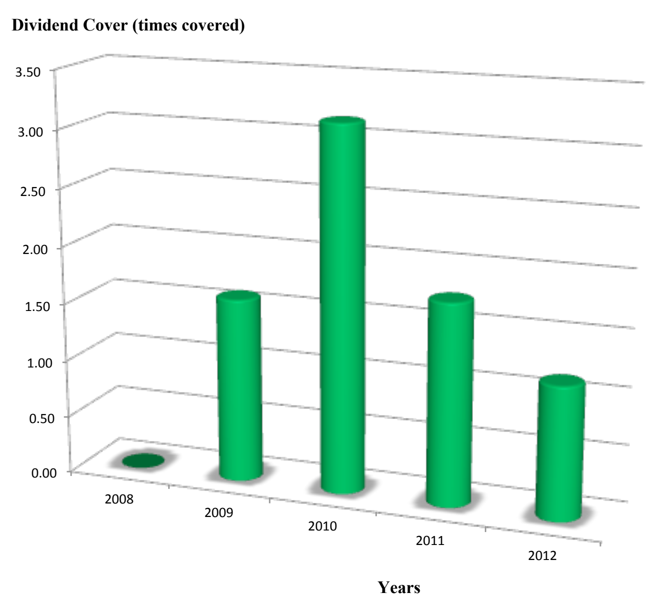
Sasini Ltd and Subsidiaries

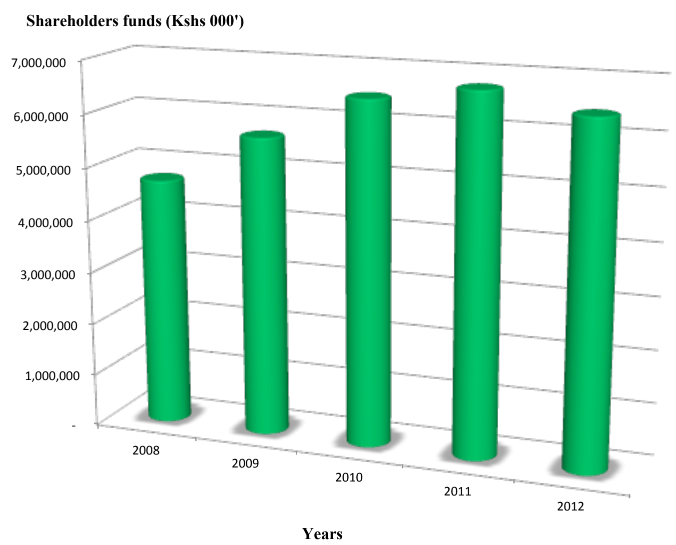
Graphical Highlights











Report of the Directors

The Directors have pleasure in submitting their report together with the consolidated and separate financial statements for the year ended 30 September 2012, which disclose the state of affairs of the Group and the Company.

1. Activities

The principal activities of the Company and its subsidiaries are the growing and processing of tea and coffee, commercial milling and marketing of coffee, value addition of related products, forestry, dairy operations, livestock and horticulture.

2. Results

The results of the Group and Company for the year are set out on pages 25 and 26, respectively.

3. Dividends

The Directors recommend the payment of a final dividend of KShs 0.25 per share. This together with interim dividend of KShs 0.50 per share paid on 6th July 2012 amounts to a total dividend of KShs 0.75 per share for the year, (2011 – KShs 1.00).

4. Equity and Reserves

The authorized issued share capital of the Company at 30th September 2012 and matters relating thereto are set out in note 28 and 29 to the financial statements. Full details of the Group and Company reserves and movements therein during the year are shown on pages 29, 30, 31 and 32.

5. Property, Plant and Equipment

Details of the movements in property, plant and equipment are shown in note 18 to the financial statements.

6. Directors

The Directors who served during the year and upto the date of this report are set out on pages 1 and 2.

(a) In accordance with Regulation 94 of the Articles of Association, Dr. J.B. McFie and Mrs. L.W. Waithaka retire by rotation, and being eligible, offer themselves for re-election.

(b) Pursuant to Regulation 100 of the Articles of Association, Mr. S.O Mainda who was appointed on 21st September 2012 to hold office until the conclusion of this Annual General Meeting, retires, and being eligible offers himself for re-election.

(c) Mr. P.W. Muthoka and Mr. I.A. Timamy resigned on 21st September 2012 respectively and 11th December 2012, respectively.

7. Substantial Shareholdings

The Directors are aware of the following interests which amount to 5% or more of the issued share capital of the Company:

	Shareholding %	
	2012	2011
Legend Investments Limited	41.84	41.84
Yana Towers Limited	12.13	12.13
East Africa Batteries Limited	9.37	7.62
Gulamali Ismail	6.19	5.36

8. Directors' Interests

Directors' interests in the issued shares of the Company were as follows:

	2012	2011
Name of Director	No. of shares	No. of shares
Mr. A. H. Butt	30,300	20,300
Dr. M.J.C. Mwangi	40,600	40,600
Mr. S.N. Merali	45,900	45,900

9. Auditors

The auditors, KPMG Kenya, who were appointed during the year following the resignation of Ernst & Young, have expressed their willingness to continue in office in accordance with Section 159(2) of the Kenyan Companies Act.

10. Approval of Financial Statements

The financial statements were approved at a meeting of the directors held on 18 December 2012.

By Order of the Board

Mrs. Mary Rebecca Ekaya
Company Secretary

Nairobi

18 December 2012

Ripoti ya Wakurugenzi

Wakurugenzi wanafuraha kuwakilisha ripoti yao pamoja na taarifa za hesabu zilizounganishwa na za kando za mwaka ulioishia tarehe 30 Septemba 2012 zinazoonyesha hali ilivyo ya Kundi na Kampuni.

1. Shughuli

Shughuli muhimu za Kampuni na kampuni zake tanzu ni ukuzaji na utengenezaji wa majani chai na kahawa, usagaji kahawa wa kibiashara na uuzaji, uongezaji thamani wa bidhaa zinazohusiana, biashara ya misitu, shughuli za maziwa na bidhaa zake, mifugo na kilimo cha bustani.

2. Matokeo

Matokeo ya mwaka ya Kundi na Kampuni yako katika ukurasa wa 25 na 26 mtawalia.

3. Mgao

Wakurugenzi wanapendekeza malipo ya mwisho ya Kshs 0.25 kwa kila hisa. Hii pamoja na mgao wa muda wa Kshs 0.50 kwa kila hisa uliolipwa tarehe 6 Julai 2012 unajumlisha kuwa mgao wa Kshs 0.75 kwa jumla kwa kila hisa kwa mwaka, (2011 – Kshs1.00).

4. Rasilimali ya Hisa na Akiba

Rasilimali ya hisa za Kampuni zilizoidhinishwa na kutolewa kufikia tarehe 30 Septemba 2012 na mambo yanayohusiana nazo yanaonyeshwa kwenye tanbihi 28 na 29 ya taarifa za kifedha.

Maelezo kamili ya Kundi na akiba ya Kampuni na mienendo yake katika mwaka yameonyeshwa katika kurasa 29, 30, 31 na 32.

5. Mali, Mtambo na Vifaa

Maelezo ya mienendo ya mali, mtambo na vifaa yanaonyeshwa katika tanbihi 18 ya taarifa za kifedha.

6. Wakurugenzi

Wakurugenzi waliohudumu katika mwaka na mpaka tarehe ya ripoti wameonyeshwa kwenye ukurasa wa 1 na 2.

(a) Kulingana na Sheria ya 94 ya Kanuni za Kampuni, Dr. J. B. McFie na Bi. L. W. Waithaka wanajiuzulu kwa zamu, na kwa kuwa wanastahiki, wanajitolea tena kuchaguliwa.

(b) Kufuatana na Sheria ya 100 ya Kanuni za Kampuni, Bw. S. O. Mainda aliyechaguliwa tarehe 21 Septemba 2012 kushikilia mamlaka mpaka mwisho wa Mkutano Mkuu wa kila Mwaka, anajiuzulu, na kwa kuwa anastahiki anajitolea kuchaguliwa tena.

(c) Bw. P.W. Muthoka na Bw. I. A. Timamy wamejiuzulu tarehe 21 Septemba 2012 na tarehe 11 Desemba 2012 mtawalia.

7. Umilikaji wa hisa nyingi

Wakurugenzi wanafahamu kuhusu umilikaji wa asilimia 5 au zaidi ya rasilimali ya hisa zilizotolewa za Kampuni kama ifuatavyo:

	Umilikaji wa hisa %	
	2012	**2011**
Legend Investments Limited	41.84	41.84
Yana Towers Limited	12.13	12.13
East Africa Batteries Limited	9.37	7.62
Gulamali Ismail	6.19	5.36

8.Ushirika wa Wakurugenzi

Ushirika wa wakurugenzi katika hisa zilizotolewa za Kampuni kufikia tarehe 30 Septemba 2012 ni kama ufuatao:

	2012	**2011**
Jina la Mkurugenzi	**Idadi ya Hisa**	**Idadi ya Hisa**
Bw.A.H.Butt	30,300	20,300
Dkt. M.J.C. Mwangi	40,600	40,600
Bw. S. N. Merali	45,900	45,900

9. Wakaguzi

Wakaguzi, KPMG Kenya, waliochaguliwa katika mwaka kufuatia kustaafu kwa Ernst & Young, wameonyesha ridhaa yao ya kuendelea na wadhifa huo kwa kufuatana na sehemu 159(2) ya Sheria za Makampuni za Kenya.

10. Kuidhinishwa kwa taarifa za kifedha

Taaifa za kifedha ziliidhinishwa katika mkutano wa wakurugenzi uliofanywa tarehe 18 mwezi wa Desemba 2012.

Kwa Amri ya Halmashauri

Bi. Mary Rebecca Ekaya
Katibu wa Kampuni

Nairobi

18 Desemba 2012

Corporate Governance

Corporate governance is the manner in which the power of, and the power over a company is exercised in the stewardship of its assets and resources so as to enhance and sustain shareholder value while at the same time satisfying the needs and interests of all its stakeholders.

The Group conducts its operations in accordance with recommended principles of good corporate governance as provided in the guidelines issued by the Capital Markets Authority and complies with the Capital Markets (Securities), (Public Offers, Listing and Disclosures) Regulations, 2002. In this regard, the Board has adopted a Corporate Governance Framework and a Board Charter consistent with the CMA guidelines.

In November 2011, Sasini was awarded a Champion of Governance Award in the agriculture sector by the Institute of Certified Public Secretaries of Kenya following an independent evaluation of the Company's Governance practices and process. The award recognised that Sasini demonstrates excellence and integrity in its Governance systems, Leadership and Management practices.

Board of Directors

The composition of the Board is compliant with good corporate governance practices. The role of the Chairman and the Managing Director are segregated. The Managing Director is in charge of the day to day running of the business of the Group. A non-executive director acts as Chairman of the Board. The current Board is composed of one Executive Director and eight non-executive directors and it includes committed individuals with diverse and complementary skills to ensure that there is sufficient wealth of experience at Board level. All the directors' appointments are vetted and recommended by the remuneration and nomination committee are subject to confirmation by shareholders at the Annual General Meeting. One third of the directors, except the Managing Director, retire by rotation annually and are eligible for re-election at the Annual General Meeting.

The directors are given appropriate and timely information to enable them to maintain full and effective control over all strategic, financial, operational and compliance issues.

Board of Directors Responsibilities

The Board of Directors is responsible for the long term strategic direction of the Group, to maintain a profitable growth and at the same time uphold high standards of corporate governance and business ethics. A summary of Board of Directors responsibilities is highlighted below:

- Formulation of Group strategy and ensuring there are adequate structures to implement it;
- Monitoring the Group performance against strategy and budgets;
- Approval for publication of Group financial statements in line with Capital Markets Authority (CMA) regulations;
- The selection, appointment and appraisal of senior executives who are qualified to manage the Group affairs;
- Review of the effectiveness of the structures put in place to guide the Group operations;
- Ensuring there are adequate systems for monitoring compliance with laws and regulations; and,
- Determining the terms of all Board Committees and ensuring that they carry out their functions effectively.

Board Meetings

Board Meetings are held every quarter and in exceptional circumstances as dictated by exigencies of Company operations. This financial year, a total of four (4) Board Meetings were held.

During their meetings the Board reviews the Company performance against the planned strategies and also approves issues of strategic nature.

Board Committees

The Board has approved the delegation of certain authorities to Board Sub-Committees where applicable, and to the management.

The Board has two committees both of which are guided by clear terms of reference. The committees are instrumental in monitoring Group operations, conduct of business, systems and internal controls. The committees are as follows:

Audit Committee

The members of this committee are all non-executive directors and professionals. All the members meet minimum financial literacy standards and have accounting or financial management expertise. The committee meets four times in a year and the Managing Director, the Group Financial Controller, the Internal Auditor and occasionally the External Auditors, attend meetings of the committee. The roles of the committee include:

(a) The review of interim and annual financial statements to ensure compliance with Accounting Standards and other disclosure requirements;
(b) The maintenance and review of the Group's system of accounting and internal controls;
(c) Liaising with external auditors of the Group and effecting their recommendations; and
(d) Defining the scope and responsibilities of the internal auditors.

The Committee is made up of the following Directors:

(a) Mrs. L.W. Waithaka (Chair)
(b) Mr. M.J. Ernest
(c) Mr. I. A. Timamy (Resigned 11 December 2012)
(d) Mr S.N. Merali (Appointed 11 December 2012)

Remuneration and Nominations Committee

This Committee's remit is to assist the Board in addressing issues pertaining to remuneration levels, employee development and motivation. It ensures that the appropriate reward mechanisms are in place at all levels of the organisation while maintaining principles of equity and appropriateness. The Committee also oversees the rigorous and transparent process for bringing new Directors on to the Board, and for appointing Directors to Board Committees, subject to approval by the full Board.

The members of the Committee are all non-executive directors and professionals who by reason of education and/or experience possess sufficient expertise to enable the Committee to execute its mandate.

The Committee meets at least four times in a year.

The Committee is made up of the following Directors:

(a) Dr. J.B. McFie
(b) Mr. A.H Butt
(c) Mr. S.O. Mainda (Appointed 21 September 2012)
(d) Mr. P.W. Muthoka (Resigned 21 September 2012)

Directors' Remuneration

The remuneration for non-executive directors consists of fees and sitting allowances for their services in connection with Board and committee meetings.

The aggregate amount of emoluments paid to directors for services rendered during the financial year ended 30 September 2012 are contained in Note 14 to the financial statements in this annual report.

Neither at the end of the financial year, nor at any time during the year did there exist any arrangement to which the Group is party, whereby directors might acquire benefits by means of the acquisition of the Group's shares. There were no directors' loans at any time during the year.

Communication with Shareholders

The Group is committed to ensuring that shareholders and the financial markets are provided with timely information in regard to its performance. This is achieved by issuing notices directly to shareholders at their last known addresses and press announcements of its half-yearly and annual financial results and any information which could lead to substantial movement in the share price. The full annual report and financial statements are posted on the Group's website and also distributed to all shareholders and to other parties who have an interest in the Group's performance, on request.

Communication with Shareholders *(continued)*

The Group responds to numerous letters and electronic mail from shareholders and interested parties on a wide range of issues.

The Group also invites shareholders to seek clarity on company performance in general meetings.

Social and Environmental Responsibilities

The Group is mindful of its responsibilities with regard to the social welfare of its employees, their families and the host communities. The Group, therefore, provides housing, health, educational and recreational facilities to meet the needs of its employee's resident on its estates. Maintenance of the facilities is provided to the highest standards and success in this regard has been manifested by the good results achieved in primary schools situated in the Group's estates.

The Group is also concerned with the maintenance of the environment and in this regard it maintains sections of indigenous and non-indigenous forests in its tea plantations and shade trees in its coffee plantations. The Group has maintained a continuous afforestation program in all areas with idle land. It also maintains natural vegetation in all water catchment areas.

The Group has attained the internationally recognized Rain Forest Alliance (RFA) Certification for its Tea estates and this certification confirms the attainment of minimum standards in relation to ecosystem conservation, wildlife protection, and fair treatment and good working conditions for workers.

In addition the group has attained the UTZ Certification for its coffee operations. This internationally recognized certification is given on fulfilling a code of conduct which tests coffee operations based on three criteria namely good agriculture and business practices, social responsibility and environmental considerations.

The Group not only earns substantial foreign exchange through the export of its produce, but also makes a significant contribution through the payment of taxes, cess and other levies to the Government and Local Authorities in the areas in which it operates.

Code of Conduct

The Group has a code of conduct which seek to guide employees in ethical conduct of business. All directors, management and employees are expected to observe high standards of integrity and ethical conduct when dealing with customers, staff, suppliers and regulators.

Internal Control

The effectiveness of the Group internal control is monitored on a regular basis by the Internal Audit function. The Internal Audit function reviews the Group compliance with the laid down polices and procedures as well as assessing the effectiveness of the internal control structures. The Internal Audit function focuses their attention to areas the Group could be exposed to greatest risks. The Internal Audit function reports to the Audit Committee of the Board.

The Group has established operational procedures and controls to facilitate proper safeguard of assets and accurate financial reporting.

Conflicts of Interest

All directors and management are under duty to avoid conflict of interest. The directors are required to disclose outside business interests which would conflict with the Group business.

Going Concern

The directors confirm that the Group has adequate resources to continue in business for the foreseeable future and therefore to continue to use the going concern basis when preparing the financial statements.

Significant Change in Shareholders

The Company discloses to the Nairobi Securities Exchange at the end of each calendar quarter, names of persons who hold or acquire 3% or more of the issued shares. The Company also files the foreign investors' returns as required, on a monthly basis.

Board and Board Committees Attendance

The following table gives the record of attendance of the Sasini Board and its Committee meetings for the year ended 30 September 2012:

	Meetings attended		
Number of meetings held	Main Board	Audit Committee	Remuneration and Nomination Committee
Dr. J.B. McFie	4	N/A	4
Dr M.J.C Mwangi	4	4	4
N.N. Merali	4	N/A	N/A
I. A. Timamy	4	4	N/A
A.H. Butt	4	N/A	4
P.W. Muthoka	3	N/A	3
S.N. Merali	4	N/A	N/A
M.J. Ernest	4	4	N/A
Mrs. L.W. Waithaka	4	4	N/A

Top ten shareholders at 30 September 2012

The ten largest shareholders of the Company as at 30 September 2012 were as follows:

No.	Name of shareholder	No. of shares	% Shareholding
1	Legend Investments Limited	95,417,345	41.84
2	Yana Towers Limited	27,673,340	12.13
3	East Africa Batteries Ltd	21,368,700	9.37
4	Gulamali Ismail	14,109,600	6.19
5	Karim Jamal	5,879,841	2.58
6	CFC Stanbic Nominees Kenya Ltd- A/C R48701	5,400,060	2.37
7	Shardaben Vithaldas Morjaria	2,111,780	0.93
8	Joseph Schwartzman	1,971,000	0.86
9	Swani Coffee Estate Limited	1,637,270	0.72
10	The Jubilee Insurance Company of Kenya Ltd	1,475,900	0.65

Distribution of shareholders

Shareholding (No. of Shares)	No. of shares held	No. of Shareholders	% Shareholding
Less than 500	544,037	2,681	0.24
500 - 5,000	6,206,754	3,962	2.72
5,001 - 10,000	3,215,566	430	1.41
10,001 – 100,000	15,210,089	519	6.67
100,001-1,000,000	21,854,378	84	9.58
Above 1,000,000	181,024,676	13	79.38
Total	**228,055,500**	**7,689**	**100.00**

James Boyd McFie

Dr. J.B. McFie
Chairman

Dr. M.J.C. Mwangi
Managing Director

Date:
18 December 2012

Corporate Social Investment

Sasini acknowledges that it operates within a larger eco system and its survival and sustainability depends on how well it interacts with its stakeholders and public. Given this fact, the Company has committed both its human and capital resources in various corporate social investment (CSI) initiatives in the fields of Education and training, Health and safety, Community partnership, Mentorship programs and joint initiatives.

As necessitated by the principle of corporate governance, Sasini is obliged to act responsibly as a key player in the society and embrace ethical business practices as outlined below.

Education and Training

The company presented a donation of books and tea products during the education/prize giving day functions at Menyenya Primary School in Borabu District and Ikonge Boys Secondary School in Nyamira District. The function was aimed at motivating staff and students to improve on educational accomplishments.

In addition to supporting this cause the company funded the construction of a double classroom at Nyamiranga secondary school and a toilet block at Nyamauro secondary school. This included overseeing the procedure of contract awarding. The construction was completed during the year.

The company also gave an insight of the company's tea processing plant and equipments to students from Menyenya S.D.A High School and equipped them with knowledge on career opportunities available in the tea sector.

In addition to holding the coffee farmers day, the company was involved in training and enlightened the farmers on coffee growing, husbandry and issues of marketing.

In the spirit of supporting the girl child education due to gender imbalance in education, the company contributed to the development of the Graceland Girls School in Laikipia during the fundraising event. Further to this, the company donated teaching materials, sanitary towels for girls to a local primary school in Kiambu County.

Health and Safety

In a bid to promote the now popular mode of transport (boda boda) in the community living in the tea growing areas, the company organized training for the operators where the local police officers were invited to talk about the safety of the boda boda operators and donated reflective jackets in support.

Environment

The company has been promoting the growing of shade trees in coffee plantations to boost moisture retention and also provide appropriate nutrients from foliage from the trees. This is aimed at improving coffee farming productivity. Sasini has also taken the initiative of providing farmers with appropriate indigenous tree seedlings to grow the shade trees in their farms mainly in the Kiambu area.

Mentorship Programs

The company encourages its staff to take part in Corporate Social Investment initiatives. In this regard Management team have been involved in carrying out career guidance talks as well as seminars in local universities. The Management team have made career guidance and people development presentations at the Unites States International University, University of Nairobi, Strathmore University, AKAD career guidance seminar, League of Young Professionals Leadership development seminars, ICPAK annual seminar and leadership retreat, Institute of Internal Auditors Annual conference among others.

Community Partnership

As a way of promoting the local consumption of tea the company participated in sponsoring the Kericho marathon 2012 organized by the Tea Board of Kenya.

Police officers play a vital role in ensuring security and development, Sasini recognized this cause by contributing to the welfare of the families of police officers who lost their lives in the line of duty. Moreover, the company committed its resources in erecting Cianda police patrol base which has effectively provided security within Cianda location and its neighbourhood.

Joint initiatives

Sasini partnered with the Kenya Private Sector Alliance (KEPSA) to support an initiative dubbed 'My Kenya National Peace building Campaign' with the aim of promoting peace as the country approaches the next general elections due in March 2013. The operations of the company were affected by the post election violence of 2007/2008 and Sasini is now committed to supporting peace building effort by KEPSA.

Statement of Directors' Responsibilities

The Directors are responsible for the preparation and presentation of the company and consolidated financial statements of Sasini Limited and its subsidiaries set out on pages 25 to 75 which comprise the statements of financial positions of the group and of the company as at 30 September 2012, and the group and company statement of comprehensive income, the group and company statement of changes in equity and group and company statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

The Directors' responsibilities include: determining that the basis of accounting described in Note 2 is an acceptable basis for preparing and presenting the financial statements in the circumstances, preparation and presentation of financial statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Under the Kenyan Companies Act, the Directors are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the group and of the company as at the end of the financial year and of the operating results of the group for that year. It also requires the Directors to ensure the company and its subsidiary keep proper accounting records which disclose with reasonable accuracy the financial position of the group and the company.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the group and the company and of the group operating results.

The Directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

The Directors have made an assessment of the group and the company's ability to continue as a going concern and have no reason to believe the company and its subsidiary will not be a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The financial statements, as indicated above, were approved by the Board of Directors on 18 December 2012 and were signed on its behalf by:

James Boyd McFie

Dr. J.B. McFie
Chairman

Dr. M.J.C. Mwangi
Managing Director

KPMG

KPMG Kenya
Certified Public Accountants
16th Floor, Lonrho House
Standard Street
PO Box 40612 00100 GPO
Nairobi, Kenya

Telephone +254 20 2806000
Fax +254 20 2215695
Email info@kpmg.co.ke
Internet www.kpmg.com/eastafrica

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF SASINI LIMITED AND SUBSIDIARIES

Report on the financial statements

We have audited the consolidated financial statements of Sasini Limited set out on pages 25 to 75 which comprise the statements of financial position of the group and the company as at 30 September 2012, and the consolidated and company statement of comprehensive income, consolidated and company statement of changes in equity and consolidated and company statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

As stated on page 23, the directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether 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 our 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, we consider 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 management, 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 financial statements give a true and fair view of the financial position of the group and the company at 30 September 2012, and the group and company financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Kenyan Companies Act.

Report on other legal requirements

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

(i) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose 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 statement of financial position of the company is in agreement with the books of account.

KPMG Kenya

Date: 18 December 2012

Consolidated Statement of Comprehensive Income
for the year ended 30 September 2012

	Note	2012 KShs'000	2011 KShs'000
Revenue	8	2,779,883	2,665,877
Cost of sales	9	(1,869,523)	(1,583,444)
Gross profit		**910,360**	**1,082,433**
(Losses)/gains arising from changes in fair value of biological assets less cost to sell	20(a)	(420,986)	416,043
Other income	10	89,114	90,403
Total operating income		**578,488**	**1,588,879**
Administration and establishment expenses	11	(650,886)	(591,422)
Selling and distribution costs	12	(23,004)	(20,246)
Results from operating activities		**(95,402)**	**977,211**
Finance income	13	37,357	66,057
Finance costs	13	(27,180)	(29,129)
Net finance Income	13	**10,177**	**36,928**
(Loss)/profit before tax	14	**(85,225)**	**1,014,139**
Tax expense	15(a)	(38,888)	(563,792)
(Loss)/profit for the year		**(124,113)**	**450,347**
Other comprehensive income		-	-
Total comprehensive (loss)/income		(124,113)	450,347
(Loss)/profit attributable to:			
Owners of the parent		(67,793)	391,233
Non-controlling interest		(56,320)	59,114
		(124,113)	**450,347**
Total comprehensive (loss)/income attributable to owners of company made up as follows:			
Profit arising from operating activities		186,857	384,664
(Losses)/gains arising from changes in fair value of biological assets after tax		(254,650)	6,569
		(67,793)	**391,233**
(Loss)/earnings per share:			
Basic and diluted (KShs)	16	**(0.30)**	**1.72**
Dividend per share (KShs)	17	**0.75**	**1.00**

The notes set out on pages 35 to 75 form an integral part of the financial statements.

Company Statement of Comprehensive Income
for the year ended 30 September 2012

	Note	2012 KShs'000	2011 KShs'000
Revenue	8	859,636	753,657
Cost of Sales	9	(597,846)	(468,402)
Gross profit		**261,790**	**285,255**
(Losses)/gains arising from changes in fair value of biological assets less cost to sell	20(b)	(357,029)	394,100
Other income	10	96,773	43,560
Dividend received from subsidiary company		230,000	272,500
Total operating income		**231,534**	**995,415**
Administration and establishment expenses	11	(288,918)	(251,886)
Results from operating activities		**(57,384)**	**743,529**
Finance income	13	34,856	44,602
Finance costs	13	(7,814)	(20,279)
Net finance income	13	**27,042**	**24,323**
(Loss)/profit before tax	14	**(30,342)**	**767,852**
Tax credit/ (expense)	15(a)	31,193	(208,722)
Profit for the year		**851**	**559,130**
Other comprehensive income		-	-
Total comprehensive income		**851**	**559,130**
Total comprehensive income is made up as follows:			
Profit arising from operating activities		250,772	283,260
(Losses)/gains arising from changes in fair value of biological assets after tax		(249,921)	275,870
Earnings per share:		**851**	**559,130**
Basic and diluted (KShs)	16	**0.004**	**2.45**
Dividend per share (KShs)	17	**0.75**	**1.00**

The notes set out on pages 35 to 75 form an integral part of the financial statements.

Consolidated Statement of Financial Position
as at 30 September 2012

Assets	Note	2012 KShs'000	2011 KShs'000
Non-Current Assets			
Property, plant and equipment	18(a)	2,411,972	2,402,791
Capital work-in-progress	18(c)	37,877	21,645
Intangible assets	19	19,887	29,758
Biological assets	20(a)	5,322,292	5,743,278
Prepaid leases on leasehold land	21	20,556	20,797
Available-for-sale financial asset	22	525	525
		7,813,109	8,218,794
Current Assets			
Inventories	24	430,589	385,614
Trade and other receivables	25	409,383	347,296
Amounts due from related companies	26	1,418	1,051
Tax recoverable	15(b)	-	20,169
Cash and cash equivalents	27	268,481	489,103
		1,109,871	1,243,233
Total Assets		**8,922,980**	**9,462,027**
Equity and Liabilities			
Capital and Reserves (Pages 29 & 30)			
Share capital	28	228,055	228,055
Non-distributable reserves	29	4,825,793	5,119,973
Distributable reserves	29	1,239,823	1,225,026
		6,293,671	6,573,054
Non-controlling interest	29	133,131	189,118
Total equity		6,426,802	6,762,172
Non-Current Liabilities			
Deferred tax	30	1,673,591	1,847,081
Bank loan	31	-	56,837
Post employment benefits	32	236,959	212,502
		1,910,550	2,116,420
Current Liabilities			
Bank loan	31	55,703	131,682
Post employment benefits	32	10,246	10,450
Trade and other payables	33	460,177	441,303
Tax payable	15(b)	59,502	-
Total Equity and Liabilities		585,628	583,435
		8,922,980	**9,462,027**

The financial statements set out on pages 25 to 75 were approved by the Board of Directors on 18 December 2012 and signed on its behalf by:

James Boyd McFie

Dr. J.B. McFie
Chairman

Dr. M.J.C. Mwangi
Managing Director

The notes set out on pages 35 to 75 form an integral part of the financial statements.

Company Statement of Financial Position
as at 30 September 2012

Assets	Note	2012 KShs'000	2011 KShs'000
Non-Current Assets			
Property, plant and equipment	18(b)	1,522,059	1,563,826
Intangible assets	19	7,109	10,457
Biological assets	20(b)	1,467,205	1,824,234
Prepaid leases on leasehold land	21	8,016	8,141
Investment in subsidiary companies	23	172,697	172,697
		3,177,086	3,579,355
Current Assets			
Inventories	24	116,520	127,651
Trade and other receivables	25	183,392	121,619
Amounts due from subsidiary companies	26	162,728	7,801
Amounts due from related companies	26	111	1,734
Tax recoverable	15(b)	-	27,673
Cash and cash equivalents	27	65,282	224,765
		528,033	511,243
Total Assets		**3,705,119**	**4,090,598**
Equity and Liabilities			
Capital and Reserves (Pages 31 & 32)			
Share capital	28	228,055	228,055
Non-distributable reserves	29	2,114,047	2,374,439
Distributable reserves	29	438,246	400,572
Total equity		2,780,348	3,003,066
Non-Current Liabilities			
Deferred tax	30	529,445	627,440
Bank loan	31	-	56,837
Post employment benefits	32	17,212	17,500
		546,657	701,777
Current Liabilities			
Bank loan	31	55,703	131,682
Post employment benefits	32	1,678	880
Amounts due to subsidiary companies	26	-	80,871
Trade and other payables	33	291,874	172,322
Tax payable	15(b)	28,859	-
		378,114	385,755
Total Equity and Liabilities		**3,705,119**	**4,090,598**

The financial statements set out on pages 25 to 75 were approved by the Board of Directors on 18 December 2012 and signed on its behalf by:

James Boyd McFie

Dr. J.B. McFie
Chairman

Dr. M.J.C. Mwangi
Managing Director

The notes set out on pages 35 to 75 form an integral part of the financial statements.

Consolidated Statement of Changes in Equity
for the year ended 30 September 2012

2011:	Share capital KShs'000	Capital reserve KShs'000	Revaluation reserve KShs'000	Biological assets fair value KShs'000	Retained earnings KShs'000	Proposed dividends KShs'000	Total equity attributable to owners KShs'000	Non controlling interest KShs'000	Total equity KShs'000
At 1 October 2010	228,055	98,530	1,959,230	3,083,921	915,087	68,417	6,353,240	136,739	6,489,979
Total comprehensive income for the year									
Profit for the year	-	-	-	-	391,233	-	391,233	59,114	450,347
Appropriation of gains on biological assets	-	-	-	6,569	(6,569)	-	-	-	-
Excess depreciation on revaluation	-	-	(39,303)	-	39,303	-	-	-	-
Deferred tax on revaluation	-	-	11,026	-	-	-	11,026	765	11,791
Non-controlling interest share of subsidiary dividends	-	-	-	-	-	-	-	(7,500)	(7,500)
Total comprehensive income for the year	**-**	**-**	**(28,277)**	**6,569**	**423,967**	**-**	**402,259**	**52,379**	**454,638**
Transactions with owners of the company recorded directly in equity									
Final 2010 dividend paid	-	-	-	-	-	(68,417)	(68,417)	-	(68,417)
Interim 2011 dividend paid	-	-	-	-	(114,028)	-	(114,028)	-	(114,028)
Proposed final 2011 dividend	-	-	-	-	(114,028)	114,028	-	-	-
Total distribution to owners of the company	**-**	**-**	**-**	**-**	**(228,056)**	**45,611**	**(182,445)**	**-**	**(182,445)**
At 30 September 2011	**228,055**	**98,530**	**1,930,953**	**3,090,490**	**1,110,998**	**114,028**	**6,573,054**	**189,118**	**6,762,172**

The notes set out on pages 35 to 75 form an integral part of the financial statements.

Consolidated Statement of Changes in Equity
for the year ended 30 September 2012 *(Continued)*

2012:	Share capital KShs'000	Capital reserve KShs'000	Revaluation reserve KShs'000	Biological assets fair value KShs'000	Retained earnings KShs'000	Proposed dividends KShs'000	Total equity attributable to owners KShs'000	Non controlling interest KShs'000	Total equity KShs'000
At 1 October 2011	228,055	98,530	1,930,953	3,090,490	1,110,998	114,028	6,573,054	189,118	6,762,172
Total comprehensive income for the year									
Loss for the year	-	-	-	-	(67,793)	-	(67,793)	(56,320)	(124,113)
Appropriation of losses on biological assets	-	-	-	(254,650)	254,650	-	-	-	-
Excess depreciation on revaluation	-	-	(55,996)	-	55,996	-	-	-	-
Deferred tax on revaluation	-	-	16,466	-	-	-	16,466	333	16,799
Total comprehensive income for the year	**-**	**-**	**(39,530)**	**(254,650)**	**242,853**	**-**	**(51,327)**	**(55,987)**	**(107,314)**
Transactions with owners of the company recorded directly in equity									
Final 2011 dividend paid	-	-	-	-	-	(114,028)	(114,028)	-	(114,028)
Interim 2012 dividend paid	-	-	-	-	(114,028)	-	(114,028)	-	(114,028)
Proposed final 2012 dividend	-	-	-	-	(57,014)	57,014	-	-	-
Total distribution to owners of the company	**-**	**-**	**-**	**-**	**(171,042)**	**(57,014)**	**(228,056)**	**-**	**(228,056)**
At 30 September 2012	**228,055**	**98,530**	**1,891,423**	**2,835,840**	**1,182,809**	**57,014**	**6,293,671**	**133,131**	**6,426,802**

The notes set out on pages 35 to 75 form an integral part of the financial statements.

Company Statement of Changes in Equity
for the year ended 30 September 2012

2011:	Share capital KShs'000	Capital reserve KShs'000	Revaluation reserve KShs'000	Biological assets fair value KShs'000	Retained earnings KShs'000	Proposed dividends KShs'000	Total equity KShs'000
At 1 October 2010	228,055	40,594	1,184,995	888,579	209,055	68,417	2,619,695
Total comprehensive income for the year							
Profit for the year	-	-	-	-	559,130	-	559,130
Appropriation of gains on biological assets	-	-	-	275,870	(275,870)	-	-
Excess depreciation on revaluation	-	-	(22,285)	-	22,285	-	-
Deferred tax on revaluation	-	-	6,686	-	-	-	6,686
Total comprehensive income for the year	-	-	**(15,599)**	**275,870**	**305,545**	-	**565,816**
Transactions with owners of the company recorded directly in equity							
Final 2010 dividend paid	-	-	-	-	-	(68,417)	(68,417)
Interim 2011 dividend paid	-	-	-	-	(114,028)	-	(114,028)
Proposed final 2011 dividend	-	-	-	-	(114,028)	114,028	-
Total distribution to owners of the company	-	-	-	-	**(228,056)**	**45,611**	**(182,445)**
At 30 September 2011	**228,055**	**40,594**	**1,169,396**	**1,164,449**	**286,544**	**114,028**	**3,003,066**

The notes set out on pages 35 to 75 form an integral part of the financial statements.

Company Statement of Changes in Equity
for the year ended 30 September 2012 *(Continued)*

2012:	Share capital KShs'000	Capital reserve KShs'000	Revaluation reserve KShs'000	Biological assets fair value KShs'000	Retained earnings KShs'000	Proposed dividends KShs'000	Total equity KShs'000
At 1 October 2011	228,055	40,594	1,169,396	1,164,449	286,544	114,028	3,003,066
Total comprehensive income for the year							
Profit for the year	-	-	-	-	851	-	851
Appropriation of losses on biological assets	-	-	-	(249,921)	249,921	-	-
Excess depreciation on revaluation	-	-	(14,958)	-	14,958	-	-
Deferred tax on revaluation	-	-	4,487	-	-	-	4,487
Total comprehensive income for the year	-	-	**(10,471)**	**(249,921)**	**265,730**	-	**5,338**
Transactions with owners of the company recorded directly in equity							
Final 2011 dividend paid	-	-	-	-	-	(114,028)	(114,028)
Interim 2012 dividend paid	-	-	-	-	(114,028)	-	(114,028)
Proposed final 2012 dividend	-	-	-	-	(57,014)	57,014	-
Total distribution to owners of the company	-	-	-	-	**(171,042)**	**(57,014)**	**(228,056)**
At 30 September 2012	**228,055**	**40,594**	**1,158,925**	**914,528**	**381,232**	**57,014**	**2,780,348**

The notes set out on pages 35 to 75 form an integral part of the financial statements.

Consolidated Statement of Cash Flows
for the year ended 30 September 2012

	Note	2012 KShs'000	2011 KShs'000
Cash flows from operating activities			
Cash flows generated from operations	34	437,183	652,328
Income taxes paid	15(b)	(115,909)	(172,292)
Realised exchange gains	13	8,384	14,034
Net cash generated from operating activities		**329,658**	**494,070**
Cash flows from investing activities			
Purchase of property, plant, equipment	18(a)	(180,818)	(150,689)
Purchase of intangible assets	19	(761)	(114)
Capital work-in-progress	18(c)	(16,232)	(15,253)
Proceeds on sale of available for sale investments		-	54,618
Interest income	13	28,973	9,742
Proceeds on sale of property, plant and equipment		6,610	3,550
Net cash used in investing activities		**(162,228)**	**98,146**
Cash flows from financing activities			
Interest expense	13	(7,814)	(29,129)
Repayment of loan notes	31	-	(540,000)
Proceeds from bank loan		-	243,000
Loan repayments		(132,816)	(54,481)
Subsidiary dividends paid to non controlling interests		-	(7,500)
Dividends paid on ordinary shares		(228,056)	(182,444)
Net cash used in financing activities		(368,686)	(570,555)
Net decrease in cash and cash equivalents		(201,256)	(174,631)
Cash and cash equivalents at the beginning of the year		489,103	621,453
Unrealised exchange (loss)/gains	13	(19,366)	42,281
Cash and cash equivalents at the end of the year	27	268,481	**489,103**

The notes set out on pages 35 to 75 form an integral part of the financial statements.

Company Statement of Cash Flows
for the year ended 30 September 2012

	Note	2012 KShs'000	2011 KShs'000
Cash flows from operating activities			
Cash flows (absorbed)/generated from operations	34	(32,311)	143,490
Income taxes paid	15(b)	(5,783)	(2,127)
Realised exchange gains	13	9,648	23,314
Net cash generated from operating activities		**(28,446)**	**164,677**
Cash flows from investing activities			
Purchase of property, plant and equipment	18(a)	(20,707)	(50,699)
Interest income	13	23,318	2,574
Purchase of intangible assets	19	(579)	-
Proceeds on sale of property, plant and equipment		3,727	1,920
Net cash used in investing activities		**5,759**	**(46,205)**
Cash flows from financing activities			
Interest expense	13	(7,814)	(20,279)
Repayment of loan notes	31	-	(540,000)
Proceeds from bank loan		-	243,000
Loan repayments		(132,816)	(54,481)
Dividend received from subsidiary		230,000	272,500
Dividend paid on ordinary shares		(228,056)	(182,445)
Net cash used in financing activities		**(138,686)**	**(281,705)**
Net decrease in cash and cash equivalents		**(161,373)**	**(163,233)**
Cash and cash equivalents at the beginning of the year		224,765	369,284
Unrealised exchange gains	13	1,890	18,714
Cash and cash equivalents at the end of the year	27	**65,282**	**224,765**

The notes set out on pages 35 to 75 form an integral part of the financial statements.

1. Reporting Entity

Sasini Limited (the "Company") is a company incorporated in Kenya under the Kenyan Companies Act and is domiciled in Kenya. The consolidated financial statements comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities").

The Group primarily is involved in growing and processing of tea and coffee, commercial milling and marketing of coffee, value addition of related products, forestry, dairy operations, livestock and horticulture.

The address of its registered office and principal place of business is as follows:

Sasini House
Loita Street
P.O. Box 30151 - 00100
Nairobi

The shares of the Company are listed on the Nairobi Securities Exchange (NSE).

The consolidated financial statements were authorised for issue by the Board of Directors on 18 December 2012.

For 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. Basis of Preparation

(a) Statement of compliance

The financial statements are prepared in compliance with International Financial Reporting Standards (IFRS).

(b) Basis of measurement

The financial statements are prepared under the historical cost basis of accounting except for biological assets and financial instruments that have been measured at fair value and property, plant and equipment that have been carried at revaluation amounts. The accounting policies adopted are consistent with those of the previous years.

(c) Functional and presentation currency

The financial statements are presented in Kenya shillings (KShs), which is the Group's functional currency. Except as otherwise indicated, financial information presentation in Kenya shillings has been rounded to the nearest thousand (KShs'000).

(d) Going concern

The Group's and Company's management has made an assessment of the Group and Company's ability to continue as a going concern and is satisfied that the Group and Company has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the financial statements have been prepared on the going concern basis.

(e) Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The estimates and assumptions are based on the Directors' best knowledge of current events, actions, historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in Note 4.

3. Significant Accounting Policies

(a) Basis of consolidation

(i) Subsidiaries

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 September 2012. The subsidiaries are shown in Note 23.

3. Significant Accounting Policies *(continued)*

(a) Basis of consolidation (continued)

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences, recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained. Subsequently, it is accounted as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained
- Recognises any surplus or deficit in profit or loss

(ii) Transactions eliminated on consolidation

Intra-group balances and income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency transactions

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

(c) Revenue recognition

Revenue represents the fair value of the consideration receivable for sales of goods and services, and is stated net of value-added tax (VAT), rebates and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

(i) Sales of goods are recognised when significant risk and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable and when there is no continuing management involvement.

(ii) Sales of services are recognised in the period in which the services are rendered by reference to the completion of specific transactions assessed on the basis of actual service provided as a proportion of total services to be provided. Sales revenue can only be recognised when the associated costs can be estimated reliably and the amount of revenue can be estimated reliably.

(d) Taxation

(i) Current taxation

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date. Current income tax relating to items recognised directly in other comprehensive income or equity is recognised in other comprehensive income or equity and not in profit or loss.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(ii) Deferred tax

Deferred tax is provided in respect of temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

• In respect of taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised directly in other comprehensive income or equity is recognised in other comprehensive income or equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(e) Investments in subsidiary companies

The investments in subsidiary companies are accounted for at cost in the Company's statement of financial position less any provisions for impairment losses. Where in the opinion of the directors, there has been an impairment of value of an investment; the loss is recognised as an expense in the period in which the impairment is identified.

(f) Financial instruments

Financial instruments are recognised in the Group and Company financial statements when, and only when, the Group and Company becomes a party to the contractual provisions of the instrument.

(i) Classification

A financial instrument is a contract that gives rise to both a financial asset of one enterprise and a financial liability of another enterprise. These are classified as follows:

Financial assets at fair value through profit or loss: This category has two subcategories; financial assets held for trading, and those designated at fair value through profit or loss at inception. Financial instruments reclassified in this category are those that the Group holds principally for the purpose of short-term profit taking.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Group intends to sell in the short term or that it has designated as at fair value through profit or loss or available-for-sale. Loans and receivables comprise receivables and balances due from Group companies.

Held-to-maturity assets are financial assets with fixed or determinable payments and fixed maturity that the Group has positive intent and ability to hold to maturity. Were the Group to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale.

Available-for-sale assets are the non-derivative financial assets that are designated as available for sale or are not classified as held for trading purposes, loans and receivables or held to maturity. These include short-term deposits and cash and cash equivalents.

(ii) Recognition

The Group recognises financial assets held for trading and available-for-sale assets on the date it commits to purchase the assets. From this date any gains and losses arising from changes in fair value of the assets are recognised in profit or loss and other comprehensive income respectively.

Held-to-maturity, loans and receivables are recognised on the date they are transferred to the Group.

(iii) Measurement

Financial instruments are measured initially at fair value, including transaction costs.

Subsequent to initial recognition all trading instruments and all available-for-sale assets are measured at fair value, except that any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost, including transaction costs, less impairment losses.

All non-trading financial liabilities, loans and receivables and held-to-maturity assets are measured at amortised cost less impairment losses. Amortised cost is calculated on the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

Gains and losses arising from a change in the fair value of available-for-sale assets are recognised in other comprehensive income and presented within equity until the instrument is derecognised or impaired, at which time the cumulative gain or loss is recognised in profit or loss and trading instrument gains or losses are recognised in profit or loss in the period they arise.

The following explains how the various financial instruements are measured in the financial statements:

(i) Unquoted equity instruments

Investments in shares of other enterprises that give the Group a residual interest in the assets of that enterprise after deducting all of its liabilities are classified as equity instruments. For unquoted equity investments fair value is determined by reference to the market value of a similar investment, where applicable. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis or other valuation models.

(ii) Trade and other receivables

Trade and other receivables are carried at their original invoiced amount less an estimate made for allowances for credit losses based on a review of all outstanding amounts, on an account by account and portfolio basis, at the year end. Allowances for credit losses are written off in the year in which they are identified as irrecoverable.

Allowances for credit losses are made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible. In determining the recoverability of trade receivables, the company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date.

(iii) 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 for the purposes of the statement of cash flows, bank overdrafts.

Cash and cash equivalents are measured at amortised cost.

(iv) Trade and other payables

Trade and other payables are non interest bearing financial liabilities and are carried at amortised cost, which is measured at the contractual value of the consideration to be paid in future in respect of goods and services supplied by the suppliers, whether billed to the Group or not, less any payments made to the suppliers.

(v) Borrowings and loans

Interest bearing loans, overdrafts and bonds are initially recognised at fair value net of issue costs and any discount or premium on settlement. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method.

Impairment and uncollectibility of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or Group of financial assets is impaired.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the

3. Significant Accounting Policies *(continued)*

(f) Financial Instruments (continued)

Impairment and Uncollectibility of financial assets (continued)

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 (i.e. the effective interest rate computed at initial recognition).

The carrying amount of the asset is written down through the use of an allowance account. The amount of the loss is recognised in profit or loss.

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

When there is a decline in the fair value of an available-for-sale financial asset whose fair value gains and losses have been recognised in other comprehensive income and accumulated in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been accumulated in equity is removed from equity and recognised through other comprehensive income into profit or loss even though the financial asset has not been derecognised. Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale are not reversed.

De-recognition

Financial assets (or a portion thereof) are de-recognised when the Group's rights to the cash flows expire or when the Group transfers substantially all the risks and rewards related to the financial asset or when the Group loses control of the financial asset. Financial liabilities (or a portion thereof) are de-recognised when the obligation specified in the contract is discharged, cancelled or expires. On de-recognition, the difference between the carrying amount of the financial liability, including related un-amortised costs and amounts paid for it, are included in profit or loss.

(g) Property, plant & equipment and depreciation

Property, plant and equipment are measured at revalued amounts less accumulated depreciation and any impairment losses. Revaluation increases arising on the revaluations are recognised in other comprehensive income and accumulated in the revaluation reserve in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising out of revaluation is charged as an expense to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued amount of the asset and the original cost. Additionally, accumulated depreciation at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any surplus remaining in the revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Revaluations are done with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance is expensed as incurred.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

No depreciation is provided on freehold land. Other items of property, plant and equipment are depreciated on the straight line basis to write down the cost or revalued amount of each asset to its residual value over its estimated useful life for current and comparative periods as follows:

Buildings and improvements	12 - 45 years
Plant, machinery and tools	12.5% p.a
Rolling stock	25.0% p.a
Farm implements and trailers	12.5% p.a
Furniture, fittings and equipment	12.5% p.a
Computers	33.3% p.a

Useful life, residual values and depreciation methods are reviewed on an annual basis and adjusted prospectively, if appropriate.

3. Significant Accounting Policies *(continued)*

(g) Property, plant & equipment and depreciation (continued)

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is de-recognised.

The carrying values of the property, plant and equipment are assessed annually and adjusted for impairment where it is considered necessary.

(h) Intangible assets

An intangible asset arises from the purchases of accounting software. Acquired intangible assets are measured on initial recognition at cost.
The Group recognises an intangible asset at cost if, and only if, it is probable that the future economic benefits that are attributable to the asset will flow to the Group and the cost of the asset can be measured reliably. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be finite.

The intangible assets are amortised on a straight-line basis over their useful lives (5 years).

Amortisation method, useful lives and residual values are reviewed at each reporting date.

(i) Biological assets

Biological assets are measured on initial recognition and at each reporting date at fair value less cost to sell. Any changes to the fair value are recognised in profit or loss in the period in which they arise. The fair value net of deferred tax is reserved in equity as a non-distributable reserve.

The fair value of livestock is determined based on the market prices of livestock of similar age, breed and sex. Where meaningful market determined prices do not exist to assess the fair value of the Group's other biological assets, the fair value is determined based on the net present value of expected future cash flows, discounted at appropriate pre-tax rate.

All costs incurred relating to mature biological assets are recognised in profit or loss in the period in which they are incurred. Costs incurred relating to immature biological assets are factored in the fair value adjustment.

(j) Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

(i) Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are recognised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in profit or loss.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight line basis over the lease term.

Lease incentives received are recognised as an integral part of the total lease expense, over the lease term.

(ii) Group as a lessor

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

(k) Work-in-progress

Work-in-progress represents costs incurred in acquisition/installation of an item of property, plant and equipment which is not in use. Work-in-progress is not depreciated until the assets are completed and brought into use but tested for impairment when there is an indicator for impairment.

3. Significant Accounting Policies (continued)

(l) Inventories

Tea and coffee inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average cost. Cost comprises expenditure incurred in the normal course of business, including direct material costs, labour and production overheads, where appropriate, that have been incurred in bringing the stocks to their present location and condition. Net realisable value is the price at which the inventory can be realised in the normal course of business after allowing for costs of realisation.
Consumable stores are stated at the weighted average cost less provisions for obsolescence, slow moving and defective stores.

Agricultural produce is measured at fair value less cost to sell at the point of harvest. Any changes arising on initial recognition of agricultural produce at fair value less cost to sell are recognised in profit or loss. The cost of finished goods and work in progress comprise the fair value less cost to sell of agricultural produce at the point of harvest, raw materials, direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs.

(m) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets and inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset Group that generates cash flows that largely are independent from other assets and Groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(n) Employee benefit

The Group operates a defined contribution retirement benefits scheme for its non-unionised employees. For the unionised employees, the Group operates a gratuity scheme.

(i) Defined contribution plan

A defined contribution plan is a post employment benefit plan which an entity pays fixed contribution into a separate entity and has no legal or constructive obligation to pay further amounts. The expense is recognised in profit or loss.

Contributions from the Group, at a rate of 12.5% of the basic salary of each employee, are expensed in the year the services are rendered and paid over to a separate trustee administered fund.

The Group also contributes to a statutory defined contribution pension scheme, the National Social Security Fund (NSSF). Contributions are determined by local statute and are limited to KShs 200 per employee per month. The Group's contributions to the above schemes are charged to profit tor loss in the year to which they relate.

(ii) Gratuity

Employee entitlement to gratuity under the collective bargaining agreements with the trade unions and long service awards are recognised when they accrue to employees. A provision is made for the liability for such entitlements as a result of services rendered by employees up to the reporting date.

The liability recognised in the statement of financial position is the present value of the estimated future cash outflows, calculated by an independent actuary using the projected unit credit method. The increase or decrease in the provision is taken to profit or loss.

(iii) Accrued annual leave

The monetary liability for employees' accrued annual leave entitlement at the reporting date is recognised as an expense accrual.

(o) Provisions

A provision is recognised in the statement of financial position when the Group has a legal or constructive obligation as a result of a past event and it is probable

3. Significant Accounting Policies (continued)

(o) Provisions (continued)

that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(p) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur.

(q) Earnings per share

Basic and diluted earnings per share (EPS) data for ordinary shares are presented in the financial statements. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

(r) Finance income and expenses

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

(s) Dividends

Dividends payable to the Company's shareholders are recognised as a liability in the period in which they are declared. Proposed dividends are disclosed as a separate component of equity.

(t) Related party transactions

The Group discloses the nature, volume and amounts outstanding at the end of each financial year from transactions with related parties, which include transactions with the directors, executive officers and Group or related companies. The related party transactions are at arms length.

(u) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the Group's Management Committee (being the chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

(v) Comparatives

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

(w) New standards and interpretations not yet adopted

(i) Standards, amendments and interpretations to existing standards effective in 2012 but not relevant

Disclosures – Transfers of Financial Assets (Amendments to IFRS 7) - effective 1 July 2011. The amendments introduce new disclosure requirements about transfers of financial assets, including disclosures for:

- Financial assets that are not derecognised in their entirety; and
- Financial assets that are derecognised in their entirety but for which the entity retains continuing involvement.

(ii) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group.

3. Significant Accounting Policies *(continued)*

(w) New standards and interpretations not yet adopted (continued)

(ii) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued)

The Group's and parent entity's assessment of the impact of these new standards and interpretations is set out below:

• Amendments to IAS 1'*Presentation of Items of Other Comprehensive Income*' (effective 1 July 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. It however does not change the existing option to present profit or loss and other comprehensive income in two statements but changes the title of the statement of comprehensive income to the statement of profit or loss and other comprehensive income. However, an entity is still allowed to use other titles.

• IAS 27 *Separate Financial Statements* (effective 1 January 2013) contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The amendment carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications.

• Deferred Tax - *Recovery of Underlying Assets (Amendments to IAS 12)* – effective 1 January 2012. The amendments introduce an exception to the general measurement requirements of IAS 12 Income Taxes in respect of investment properties measured at fair value. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset.

• IAS 19 '*Employee Benefits*' – effective 1 January 2013. The amended IAS 19 requires that actuarial gains and losses are recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19. It also requires that expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation.

• IAS 28 *Investments in Associates and Joint Ventures* (effective 1 January 2013). IAS 28 prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. It carries forward the existing accounting and disclosure requirements with limited amendments.

• IFRS 10 '*Consolidated Financial Statements*' (effective 1 January 2013). This standard replaces the requirements and guidance in IAS 27 relating to consolidated financial statements. The objective of this standard is to improve the usefulness of consolidated financial statements by developing a single basis for consolidation and robust guidance for applying that basis to situations where it has proved difficult to assess control in practice and divergence has evolved. The basis for consolidation is control and it is applied irrespective of the nature of the investee.

• IFRS 11 – '*Joint arrangements*' (effective 1 January 2013). IFRS 11 supersedes IAS 31 and SIC-13 relating to Jointly Controlled Entities. The objective of this IFRS is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly. It focuses on the rights and obligations of joint arrangements, rather than the legal form (as is currently the case). It further distinguishes joint arrangements between joint operations and joint ventures; and requires the equity method for jointly controlled entities that are now called joint ventures.

• IFRS 12 – '*Disclosure of interests in other entities*' (effective 1 January 2013). The objective of this IFRS is to require an entity to disclose information that enables users of its financial statements to evaluate: the nature of, and risks associated with, its interests in other entities; and the effects of those interests on its financial position, financial performance and cash flows.

• IFRS 13 – '*Fair value measurement*' (effective 1 January 2013). IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value when it is required or permitted by other IFRSs. It does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

3. Significant Accounting Policies *(continued)*

(w) New standards and interpretations not yet adopted (continued)

(ii) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued)

• IFRS 9 '*Financial Instruments*' (effective 1 January 2015) is a new standard on financial instruments that will eventually replace IAS 39. The published standard introduces changes to the current IAS 39 rules for classification and measurement of financial assets. Under IFRS 9 there will be two measurement bases for financial assets: amortised cost and fair value. Financial assets at fair value will be recorded at fair value through profit or loss with a limited opportunity to record changes in fair value of certain equity instruments through other comprehensive income. Financial liabilities are excluded from the scope of the standard.

The standard also differs from existing requirements for accounting for financial assets in various other areas, such as embedded derivatives and the recognition of fair value adjustments in other comprehensive income.

The standard will be applied retrospectively (subject to the standard's transitional provisions).

The Group is currently in the process of evaluating the potential effect of these standards.

4. Use of Estimates and Judgements

(a) Critical accounting estimates and assumptions

In the process of applying the Group's accounting policies, directors make certain estimates and assumptions about future events. In practice, the estimated and assumed results would differ from the actual results. Such 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 described below:

(i) Biological assets

In determining the fair value of biological assets, the Group uses the present value of expected future cash flows from the assets discounted at the current market determined pre tax rate. The objective of calculating the present value of expected cash flows is to determine the fair value of biological assets in their present location and condition. The Group considers this in determining an appropriate discount rate to be used and in estimating net cash flows. Management uses historical data relating to production and market prices of tea, coffee, livestock and trees. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed to reduce any differences between estimates and actual experience. The significant assumptions are set out in Note 20 to the financial statements.

(ii) Property, plant and equipment

Directors make estimates in determining the depreciation rates for property, plant and equipment. The rates used are set out in the accounting policy for property, plant and equipment.

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

The Group measures its property, plant and equipment at revalued amounts with changes in revaluation values being recognised in other comprehensive income. The Group engages independent valuers to determine fair values of property, plant and equipment. The valuation values are based on the prevailing market prices which are sensitive to economic conditions. The details of property, plant and equipment and the assumptions applied are disclosed in Note 3(g) and Note 18.

(iii) Income taxes and deferred tax

Significant judgement is required in determining the Group's provision for deferred and 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 current income tax and deferred income tax provisions in the year in which such determination is made.

(iv) Post employment benefit obligation

The cost of the unfunded service gratuity is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on scheme assets and future salary increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. Details of post employment benefits and the assumptions applied are disclosed in Note 3(n) and Note 32.

4. Use of Estimates and Judgements (continued)

(a) Critical accounting estimates and assumptions (continued)

(v) Allowance for impairment for accounts receivable

The Group reviews its accounts receivables portfolio regularly to assess the likelihood of impairment. This requires an estimation of the amounts that are irrecoverable. In estimating the receivable amounts the Group make judgement as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset. Details of the allowance for impairment are disclosed in Note 5(b) and Note 25.

(b) Critical accounting judgements

In the process of applying the Group's accounting policies, directors make certain judgements that are continuously assessed based on prior experience and other determinants including expectations of future events that, under the circumstances are deemed to be reasonable as described below:

(i) Allowance for obsolete inventories

Directors review the inventories on an annual basis to assess the likelihood of obsolescence. In determining whether an inventory item is obsolete, directors make judgement as to whether the inventory item can be used as an input in production or is in saleable condition.

(ii) Going concern

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore the financial statements continue to be prepared on the going concern basis.

5. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash and cash equivalents, investments, receivables, bank loans, loan notes and payables. These instruments arise directly from its operations. The Group does not speculate or trade in derivative financial instruments.

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk, liquidity risk and operational risk. The directors review and agree policies for managing these risks.

The board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. 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 management under policies approved by the board of directors. Management identifies, evaluates and manages financial risks in close co-operation with various departmental heads. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of non derivative financial instruments and investment of excess liquidity.

(a) Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The objective of market risk management is to manage and control market risk exposure within acceptable levels, while optimising on the return on the risk.

(i) Interest rate risk

Interest rate risk is the risk that the future profitability and/or cash flows of financial instruments will fluctuate because of changes in the market interest rates.

The group's exposure to the risk of changes in market interest rates relates primarily to the group's long and short term obligations with floating interest rates.

The Group is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The table below summarises the exposure to interest rate risks. Included in the table are the Group's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates. The Group exposure to interest rate risk is with regards to fluctuation in interest rates in the market which affects the returns on the investments held by the Group.

5. Financial Risk Management Objectives and Policies (continued)

(a) Market risk (continued)
(i) Interest rate risk (continued)

Group:

As at 30 September 2012	Effective interest rate %	Due within 3 months KShs'000	Due within 3 and 12 months KShs'000	Due between 1 and 5 years KShs'000	Non-interest bearing KShs'000	Total KShs'000
Assets						
Available-for-sale financial assets	-	-	-	-	525	525
Trade and other receivables	-	-	-	-	409,383	409,383
Amounts due from related companies	-	-	-	-	1,418	1,418
Term deposits	8% - 13%	-	149,579	-	-	149,579
Cash and cash equivalents	-	-	-	-	118,902	118,902
		-	**149,579**	**-**	**530,228**	**679,807**
Liabilities						
Trade and other payables	-	-	-	-	(460,177)	(460,177)
Bank loan	6.5%	(55,703)	-	-	-	(55,703)
		(55,703)	**-**	**-**	**(460,177)**	**(515,880)**
Net Financial Asset		**(55,703)**	**149,579**	**-**	**70,051**	**163,927**

As at 30 September 2011	Effective interest rate %	Due within 3 months KShs'000	Due within 3 and 12 months KShs'000	Due between 1 and 5 years KShs'000	Non-interest bearing KShs'000	Total KShs'000
Assets						
Available-for-sale financial assets	-	-	-	-	525	525
Trade and other receivables	-	-	-	-	347,296	347,296
Amounts due from related companies	-	-	-	-	1,051	1,051
Term deposits	8% - 13%	-	149,007	-		149,007
Cash and cash equivalents	-	-	-	-	340,096	340,096
		-	**149,007**	**-**	**688,968**	**838,605**
Liabilities						
Trade and other payables	-	-	-	-	(441,303)	(441,303)
Bank loan	5%	-	(131,682)	(56,387)	-	(188,069)
		-	**(131,682)**	**(56,387)**	**(441,303)**	**(629,372)**
Net Financial Asset		**-**	**17,325**	**(56,387)**	**247,665**	**208,603**

5. Financial Risk Management Objectives and Policies (continued)

(a) Market risk (continued)

(i) Interest rate risk (continued)

Company:

As at 30 September 2012	Effective interest rate %	Due within 3 months KShs'000	Due within 3 and 12 months KShs'000	Due between 1 and 5 years KShs'000	Non-interest bearing KShs'000	Total KShs'000
Assets						
Trade and other receivables	-	-	-	-	183,392	183,392
Amounts due from subsidiary companies	-	-	-	-	162,728	162,728
Amounts due from related companies	-	-	-	-	111	111
Term deposits	8% - 13%	-	5,414	-		5,414
Cash and cash equivalents	-	-	-	-	59,868	59,868
		-	**5,414**	**-**	**406,099**	**411,513**
Liabilities						
Trade and other payables	-	-	-	-	(291,874)	(291,874)
Bank loan	6.5%	-	(55,703)	-	-	(55,703)
		-	**(55,703)**	**-**	**(291,874)**	**(347,577)**
Net Financial Asset		**-**	**(50,289)**	**-**	**(114,225)**	**63,936**

As at 30 September 2011	Effective interest rate %	Due within 3 months KShs'000	Due within 3 and 12 months KShs'000	Due between 1 and 5 years KShs'000	Non-interest bearing KShs'000	Total KShs'000
Assets						
Trade and other receivables	-	-	-	-	121,619	121,619
Amounts due from subsidiary companies	-	-	-	-	7,801	7,801
Amounts due from related companies	-	-	-	-	1,734	1,734
Term deposits	8% - 13%	-	6,527	-	-	6,527
Cash and cash equivalents	-	-	-	-	218,238	218,238
		-	**6,527**	**-**	**349,392**	**355,919**
Liabilities						
Trade and other payables	-	-	-		(172,322)	(172,322)
Amounts due to subsidiary companies	-	-	-	-	(80,871)	(80,871)
Bank loan	5%	-	(131,682)	(56,837)	-	(188,519)
		-	**(131,682)**	**(56,837)**	**(253,193)**	**(441,712)**
Net Financial Liability		**-**	**(125,155)**	**(56,837)**	**96,199**	**(85,793)**

5. Financial Risk Management Objectives and Policies (continued)

(a) Market risk (continued)

(ii) Currency risk

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the functional currency of Group entities. The currencies in which these transactions primarily are denominated are USD and GBP.

The Group's policy is to record transactions in foreign currencies at the rate in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange in effect at the reporting date. All gains or losses on changes in currency exchange rates are accounted for in profit or loss.

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and Sterling Pound.

The following are the exchange rates that existed at the financial year end for the following significant currencies:

	2012 KShs'000	2011 KShs'000
US$	85.19	99.83
GBP	138.74	155.78

The Group operates in Kenya and its assets and liabilities are carried in the local currency. The Group's exposure to foreign currency risk was as follows:

All figures are in thousands of Kenya shillings (KShs'000)

Group:

2012:	USD	GBP	Total
Assets			
Trade and other receivables	182,021	-	182,021
Cash and cash equivalents	175,363	183	175,546
At 30 September 2012	**357,384**	**183**	**357,567**
Liabilities			
Trade and other payables	78,658	-	78,658
Borrowings	55,703	-	55,703
At 30 September 2012	134,361	-	134,361
Net balance sheet position - 2012	**223,023**	**183**	**223,206**

5. Financial Risk Management Objectives and Policies (continued)

(a) Market risk (continued)

(ii) Currency risk (continued)

All figures are in thousands of Kenya shillings (KShs'000)

2011:	USD	GBP	Total
Assets			
Trade and other receivables	200,747	-	200,747
Cash and cash equivalents	284,599	361	284,960
At 30 September 2011	**485,346**	**361**	**485,707**
Liabilities			
Trade and other payables	17,768	-	17,768
Borrowings	188,519	-	188,519
At 30 September 2011	**206,287**	**-**	**206,287**
Net balance sheet position - 2011	**279,059**	**361**	**279,420**

Company:

2012:	USD	GBP	Total
Assets			
Trade and other receivables	87,617	-	87,617
Cash and cash equivalents	31,996	-	31,996
At 30 September 2012	**119,613**	**-**	**119,613**
Liabilities			
Trade and other payables	77,359	-	77,359
Borrowings	55,703	-	55,703
At 30 September 2012	**133,062**	**-**	**133,062**
Net balance sheet position - 2012	**(13,449)**	**-**	**(13,449)**

5. Financial Risk Management Objectives and Policies (continued)

(a) Market risk (continued)

(ii) Currency risk (continued)

All figures are in thousands of Kenya shillings (KShs'000)

2011:	USD	GBP	Total
Assets			
Trade and other receivables	77,701	-	77,701
Cash and cash equivalents	142,111	-	142,111
At 30 September 2011	**219,812**	**-**	**219,812**
Liabilities			
Trade and other payables	14,889	-	14,889
Borrowings	188,519	-	188,519
At 30 September 2011	**203,408**	**-**	**203,408**
Net balance sheet position - 2011	**16,404**	**-**	**16,404**

The following table demonstrates the effect on the group and company's statement of comprehensive income of applying a sensitivity for a reasonable possible change in the exchange rate of the main transaction currencies, with all other variables held constant.

		Group		Company	
	Change in currency rate	Effect on profit before tax KShs' 000	Effect on equity KShs' 000	Effect on profit before tax KShs' 000	Effect on equity KShs' 000
USD 2012	10.00%	22,302	15,612	(1,345)	(941)
	-10.00%	(22,302)	(15,612)	1,345	941
2011	10.00%	27,906	19,534	1,640	1,148
	-10.00%	(27,906)	(19,534)	(1,640)	(1,148)
GBP 2012	10.00%	18	13	-	-
	-10.00%	(18)	(13)	-	-
2011	10.00%	36	25	-	-
	-10.00%	(36)	(25)	-	-

5. Financial Risk Management Objectives and Policies (continued)

(a) Market risk (continued)

(iii) Price risk

Price risk arises from the fluctuation in the prices of the commodities that the Group deals in. Sale and purchase prices are determined by the market forces and other factors that are not within the control of the Group. The Group does not anticipate that tea and coffee prices will decline significantly in the foreseeable future and therefore has not entered into derivative or other contracts to manage the risk of a decline in the prices. The Group reviews its outlook for tea and coffee prices regularly in considering the need for active financial risk management.

The following are the annual average prices (per kg) for coffee and tea that existed at the financial year end:

	2012 KShs	2011 KShs
Coffee	434	618
Tea	199	189

The following table demonstrates the effect on the group and company's statement of comprehensive income on applying the sensitivity for a reasonable possible change in the coffee and tea prices, with all other variables held constant.

		Group		Company	
	Change in price	Effect on profit before tax KShs' 000	Effect on equity KShs' 000	Effect on profit before tax KShs' 000	Effect on equity KShs' 000
Coffee 2012	10.00%	(70,400)	(49,280)	(62,957)	(44,070)
	-10.00%	70,400	49,280	62,957	44,070
2011	10.00%	(71,200)	(49,840)	(54,997)	(38,498)
	-10.00%	71,200	49,840	54,997	38,498
Tea 2012	10.00%	(170,145)	(119,102)	-	-
	-10.00%	170,145	119,102	-	-
2011	10.00%	(159,969)	(111,978)	-	-
	-10.00%	159,969	111,978	-	-

(b) Credit risk

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The largest concentrations of credit exposure within the group arises from deposits held with various service providers, prepayments, term deposits and cash and cash equivalents held with banks. The group only places significant amounts of funds with recognised financial institutions with strong credit ratings and does not consider the credit risk exposure to be significant.

A significant proportion of the group's trading is through established auctions for coffee and tea and a small proportion via direct export contracts with known parties. The receivables are collected within a period of less than one month.

Details of the ageing analysis and impairment of trade receivables is disclosed in Note 25.

5. Financial Risk Management Objectives and Policies (continued)

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in meeting its obligations from its financial liabilities. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group's management maintains flexibility in funding by maintaining availability under committed credit lines. The maturity analysis of the Group's financial liabilities is as follows:

Group

2012:	0-1 month KShs'000	2-3 months KShs'000	4-12 months KShs '000	Over 1 year KShs '000	Total KShs'000
Trade and other payables	34,663	15,293	422,670	(12,449)	460,177
Bank loan	-	-	55,703	-	55,703
	34,663	**15,293**	**478,373**	**(12,449)**	**515,880**
2011:					
Trade and other payables	144,420	179,590	117,293	-	441,303
Bank loan	-	-	131,682	56,837	188,069
	144,420	**179,590**	**248,975**	**56,837**	**629,372**

Company

2012:	0-1 month KShs'000	2-3 months KShs'000	4-12 months KShs '000	Over 1 year KShs '000	Total KShs'000
Trade and other payables	22,550	7,299	248,552	13,473	291,874
Bank loan	-	-	55,703	-	55,703
	22,550	**7,299**	**304,255**	**13,473**	**347,577**
2011:					
Trade and other payables	12,721	4,117	147,884	7,600	172,322
Bank loan	-	-	131,682	56,837	188,519
Amount due to subsidiary companies	80,871	-	-	-	80,871
	93,592	**4,117**	**279,566**	**64,437**	**441,712**

5. Financial Risk Management Objectives and Policies *(continued)*

(d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group processes, personnel, technology and infrastructure and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group operations.

The Group objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to management. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorisation of transactions.
- Requirements for the reconciliation and monitoring of transactions.
- Compliance with regulatory and other legal requirements.
- Documentation of controls and procedures.
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified.
- Requirement for the reporting of operational losses and proposed remedial action.
- Development of contingency plans.
- Training and professional development.
- Ethical and business standards.
- Risk mitigation, including insurance where this is effective.

(e) Capital management

The primary objectives of the Group's capital management are to ensure that the Group complies with capital requirements and maintains healthy capital ratios in order to support its business and to maximise shareholders' value.

The Capital Management policy as approved by the Board of Directors (the Board) is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity. The Board also monitors the level of dividends to ordinary shareholders.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares as circumstances would dictate. There were no changes in the Group's approach to capital management as regards the objectives, policies or processes during the year.

6. Fair Values of Financial Assets and Liabilities

Below follows required disclosure of fair value measurements, using a three-level fair value hierarchy that reflects the significance of the inputs used in determining the measurements. It should be noted that these disclosure only cover instruments measured at fair value.

Level 1
Included in level 1 category are financial assets and liabilities that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market 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.

6. Fair Values of Financial Assets and Liabilities *(continued)*

Level 2
Included in level 2 category are financial assets and liabilities measured using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). For example, instruments measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are categorised as level 2.

Financial assets and liabilities measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are assets and liabilities for which pricing is obtained via pricing services, but where prices have not been determined in an active market, financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Group's own models whereby the majority of assumptions are market observable.

Level 3
Financial assets and liabilities measured using inputs that are not based on observable market data are categorised as level 3. Non market observable inputs means that fair values are determined in whole or in part using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. The main asset classes in this category are unlisted equity investments and limited partnerships. Valuation techniques are used to the extent that observable inputs are not available, thereby allowing for situations for which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, that is, an exit price from the perspective of the Group. Therefore, unobservable inputs reflect the Group's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available, which might include the Group's own data. However, significant portion of the unquoted shares have been valued at cost and variation in inputs would not have significant fair value change.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

Group

2012:	**Level 1 KShs'000**	**Level 2 KShs'000**	**Level 3 KShs'000**	**Total fair value KShs'000**
Financial assets designated at fair value through profit and loss				
Investment in unquoted shares	-	-	525	525
2011:				
Financial assets designated at fair value through profit and loss				
Investment in unquoted shares	-	-	525	525

There were no financial instruments carried at fair value at the company level.

7. Segment Information

Segment information is as presented below:

	Tea KShs '000	Coffee KShs '000	Others KShs '000	Consolidated KShs '000
30 September 2012:				
Revenue				
Sales to external customers	1,701,450	704,000	374,433	2,779,883
Other income	14,708	7,988	66,418	89,114
	1,716,158	711,988	440,851	2,868,997
Results				
Operating results on operating activities	378,730	109,383	(162,529)	325,584
Operating results on biological assets	317,372	(738,358)	-	(420,986)
Operating results before tax	**696,102**	**(628,975)**	**(162,529)**	**(95,402)**
Assets and liabilities				
Segment assets	**4,428,280**	**4,149,108**	**345,592**	**8,922,980**
Segment liabilities	**1,385,026**	**845,961**	**265,191**	**2,496,178**
Other segment information				
Capital expenditure - tangible fixed assets	110,198	59,149	11,471	180,818
Depreciation and amortisation of leasehold land and of intangible assets	81,988	59,406	39,502	180,896
Average number of employees	3,225	1,165	99	4,489
30 September 2011:				
Revenue				
Sales to external customers	1,599,688	711,998	354,191	2,665,877
Other income	17,272	57,783	15,348	90,403
	1,616,960	769,781	369,539	2,756,280
Results				
Operating results on operating activities	422,419	200,869	(62,120)	561,168
Operating results on biological assets	(492,975)	909,018	-	416,043
Operating results	**(70,556)**	**1,109,887**	**(62,120)**	**977,211**
Assets and liabilities				
Segment assets	**4,149,883**	**5,187,979**	**124,165**	**9,462,027**
Segment liabilities	**1,347,542**	**1,240,820**	**111,493**	**2,699,855**
Other segment information				
Capital expenditure - tangible fixed assets	74,908	49,851	28,890	150,689
Depreciation and amortisation of leasehold land and of intangible assets	96,170	55,133	34,118	185,421
Average number of employees	2,712	978	238	3,928

7. Segment Information *(continued)*

Geographical information

The Group's operations are located in Bomet, Nyeri, Mombasa, Kiambu and Nairobi counties in Kenya.

The Group's tea, rental and leasing operations are located in Bomet and Mombasa counties. Coffee, dairy and horticulture operations are located in Nyeri and Kiambu counties. The head office is located in Nairobi County.

Segment information

Segment results include revenue and expenses directly attributable to a segment.

Segment revenue is the revenue that is directly attributable to a segment plus the relevant portion of the Group's revenue that can be allocated to the segment on a reasonable basis. Segment revenue excludes finance income.

Segment expenses are expenses resulting from the operating activities of a segment plus the relevant portion of an expense that can be allocated to the segment on a reasonable basis. Segment expenses exclude finance costs and income taxes.

Segment assets comprise intangible assets, property, plant and equipment, inventories, accounts receivable as well as prepaid expenses and accrued income.

Segment liabilities comprise account payables, prepaid income, accrued expenses and provisions as well as those relating to interest and taxes.

Capital expenditure represents the total cost incurred during the year to acquire segment assets (property, plant and equipment and biological assets) that are expected to be used during more than one year.

The Group is currently organised in three divisions; Tea, Coffee, and Others. These divisions are the basis on which the Group reports its segment information. The principal activities of these divisions are as follows:

Tea - Growing and processing of tea
Coffee - Growing and processing of coffee
Others - Dairy operations, commercial milling and marketing of coffee, value additions of related products, renting of growing land and the leasing of plant and machinery

	Group 2012 KShs'000	Group 2011 KShs'000	Company 2012 KShs'000	Company 2011 KShs'000
8. Revenue				
Tea	1,701,450	1,599,689	-	-
Coffee	704,000	711,998	629,566	549,965
Livestock	5,177	5,345	282	448
Dairy produce	24,760	20,943	2,679	4,133
Horticulture	15,811	15,981	-	-
Retail and coffee lounge	209,920	216,506	97,388	103,746
Coffee mill	80,059	59,463	86,573	59,463
Rent receivable	4,730	8,327	9,172	8,276
Marketing commission	33,976	27,625	33,976	27,626
	2,779,883	**2,665,877**	**859,636**	**753,657**
9. Cost Of Sales				
Stock movement	9,594	(61,690)	10,490	(37,912)
General charges	235,150	204,162	82,691	65,377
Estates maintenance	529,296	433,000	108,519	40,920
Production expenses	394,372	407,781	53,545	95,914
Green leaf purchases	264,024	214,713	-	-
Coffee house expenses	40,607	40,357	-	-
Coffee purchases and other charges	244,598	189,785	244,598	189,785
Livestock expenses	40,667	31,953	5,131	5,006
Horticulture expenses	18,345	14,071	-	-
Retail trading expenses	57,005	96,713	57,005	96,713
Coffee mill expenses	35,865	12,599	35,867	12,599
	1,869,523	**1,583,444**	**597,846**	**468,402**
10. Other Income				
Gain/(loss) on disposal of property, plant and equipment	4,996	(3,035)	3,490	(504)
Gain on disposal of investment	-	50,914	-	-
Management fees	-	-	27,300	27,300
Other income	84,118	42,524	65,983	16,764
	89,114	**90,403**	**96,773**	**43,560**

11. Administration and Establishment Expenses

(a) Administration and establishment expenses	Group 2012 KShs'000	Group 2011 KShs'000	Company 2012 KShs'000	Company 2011 KShs'000
Staff costs (Note 11(b))	169,938	153,515	71,457	72,698
Insurance and medical costs	25,297	24,413	1,163	1,561
Depreciation of property, plant and equipment	170,022	175,033	62,237	55,021
Amortisation of intangible assets	10,631	10,147	3,927	3,486
Amortisation of leasehold land	241	241	125	125
Auditors' remuneration	4,178	3,755	1,340	1,155
Directors' emoluments	14,807	14,201	14,807	14,201
Legal and professional fees	7,555	6,997	2,958	1,177
Secretarial costs	3,000	3,000	-	-
Travelling and accommodation	3,807	7,227	2,450	3,969
Coffee house overheads	42,767	32,966	-	-
Office expenses	27,375	46,535	25,253	5,930
Administration costs	153,509	105,480	96,401	91,867
Bank charges	2,742	2,528	1,373	696
Other expenses	15,017	5,384	5,868	-
	650,886	**591,422**	**288,918**	**251,886**
(b) Staff costs				
Salaries and wages	147,692	146,652	57,174	70,381
Staff leave accruals	5,036	(3,513)	3,040	(2,386)
Pension costs	13,295	9,500	7,578	4,088
National Social Security Fund	3,915	876	3,665	615
	169,938	**153,515**	**71,457**	**72,698**
12. Selling and Distribution Expenses				
Warehousing and storage charges	**23,004**	**20,246**	**-**	**-**
13. Net Finance Income				
(a) **Finance income**				
Interest income	28,973	9,742	23,318	2,574
Realised foreign exchange gain	8,384	14,034	9,648	23,314
Unrealised foreign exchange gain	-	42,281	1,890	18,714
	37,357	66,057	34,856	44,602
(b) **Finance cost**				
Interest expense	(7,814)	(29,129)	(7,814)	(20,279)
Unrealised foreign exchange loss	(19,366)	-	-	-
	(27,180)	(29,129)	(7,814)	(20,279)
Net finance income	**10,177**	**36,928**	**27,042**	**24,323**

14. (Loss)/ Profit Before Taxation

	Group		Company	
	2012 KShs'000	2011 KShs'000	2012 KShs'000	2011 KShs'000
The (loss)/profit before taxation is arrived at after charging:				
Depreciation	170,023	175,033	62,237	55,021
Amortisation of intangible assets	10,632	10,147	3,927	3,486
Amortisation of leasehold land	241	241	125	125
Directors' emoluments:				
- Fees	4,171	4,100	4,171	4,100
- Other remuneration	10,636	10,101	10,636	10,101
Pension scheme contributions	13,295	9,500	7,578	4,088
Auditors' remuneration	4,178	3,755	1,340	1,155
Gain on disposal of property, plant and equipment	-	3,035	-	504
Interest expense	7,814	29,129	7,814	20,279
Unrealised foreign exchange losses	19,366	-	-	-
And after crediting:				
Gain on disposal of available-for-sale investments	-	50,914	-	-
Gain on disposal of property, plant and equipment	4,996	-	3,490	-
Interest income	28,973	9,742	23,318	2,574
Realised foreign exchange gain	8,384	14,034	9,648	23,314
Unrealised foreign exchange gain	-	42,281	1,890	18,714

15. Tax Expense

	Group		Company	
(a) Statement of comprehensive income	2012 KShs'000	2011 KShs'000	2012 KShs'000	2011 KShs'000
Current tax expense				
Income tax on the taxable profit for the year at 30%	201,173	149,269	57,548	-
Prior year over/(under) provisions	(5,593)	-	4,767	-
Total current tax	195,580	149,269	62,315	-
Deferred tax (credit)/expense				
Deferred tax (credit)/expense arising from operating activities	(71,013)	30,058	(14,156)	38,176
Deferred tax expense/(credit) on biological assets fair value	(126,295)	124,813	(107,109)	118,230
Prior year under provision	40,616	259,652	27,757	52,316
Total deferred tax expense/(credit)	(156,692)	414,523	(93,508)	208,722
Taxation expense/(credit) for the year	38,888	563,792	(31,193)	208,722

15. Tax Expense *(continued)*

(a) Statement of comprehensive income (continued)

	Group		Company	
Reconciliation of tax expense/(credit):	2012 KShs'000	2011 KShs'000	2012 KShs'000	2011 KShs'000
Accounting (loss)/profit before taxation	**(85,225)**	**1,014,139**	**(30,342)**	**767,852**
Tax applicable rate at 30%	(25,568)	304,241	(9,103)	230,355
Tax effects of items not allowed for tax	12,634	(11,892)	(59,101)	(80,635)
Excess depreciation on revaluation	16,799	11,791	4,487	6,686
Prior year under provision:				
- Deferred tax	40,616	259,652	27,757	52,316
Prior year (over)/under provision:				
- Current tax	(5,593)	-	4,767	-
	38,888	**563,792**	**(31,193)**	**208,722**

(b) Statement of financial position

	Group 2012	Group 2011	Company 2012	Company 2011
Balance brought forward	(20,169)	2,854	(27,673)	(25,546)
Charge for the year	195,580	149,269	62,315	-
Paid during the year	(115,909)	(172,292)	(5,783)	(2,127)
Balance carried forward	**59,502**	**(20,169)**	**28,859**	**(27,673)**

(c) Dividend tax account

The Group and the Company have credit balances on the dividend tax accounts of KShs 664,170,535 (2011 - KShs 645,712,948) and KShs 353,639,224 (2011 - KShs 346,930,141), respectively, which include tax payments to 30 September 2012. Therefore, there is no compensating tax payable for the year.

16. Earnings Per Share

Earnings per share is calculated by dividing profit or loss for the year attributable to ordinary equity holders of the parent by the 228,055,500 ordinary shares outstanding during the year. Basic and diluted earnings per share are the same.

	Group		Company	
	2012 KShs'000	2011 KShs'000	2012 KShs'000	2011 KShs'000
Earnings per share on normal operations	0.82	1.69	1.099	1.241
Earnings per share on biological assets	(1.12)	0.03	(1.095)	1.209
Net earnings per share (KShs)	**(0.30)**	**1.72**	**0.004**	**2.450**

17. Dividend Per Share

Proposed dividends are accounted for as a separate component of equity until they have been ratified at an Annual General Meeting. At the Annual General Meeting to be held on 22 February 2013, a final dividend in respect of the year ended 30 September 2012 of KShs 0.25 (2011 – KShs 0.50) for every ordinary share of KShs 1.00 is to be proposed. An interim dividend of KShs 0.50 (2011 – KShs 0.50) was paid during the year. This brings the total dividend for the year to KShs 0.75 (2011 – KShs 1.00) for every ordinary share held. Payment of dividends is subject to withholding tax at the rate of 5% for residents, 10% for non-resident shareholders or 0% depending on the percentage shareholding.

	Group		Company	
	2012 KShs'000	2011 KShs'000	2012 KShs'000	2011 KShs'000
Dividends per share (KShs)	0.75	1.00	0.75	1.00

18. Property, Plant and Equipment

(a) Group

30 September 2012:	Freehold land KShs'000	Buildings and improvements KShs'000	Plant, machinery and tools KShs'000	Rolling stock and farm implements KShs'000	Furniture, computers and equipment KShs'000	Total KShs'000
Cost or valuation:						
At start of the year	1,003,000	1,049,318	536,835	153,873	120,921	2,863,947
Additions and transfers	45,987	14,863	60,284	34,186	25,498	180,818
Disposals	-	-	(97)	(7,170)	(56)	(7,323)
At 30 September 2012	1,048,987	1,064,181	597,022	180,889	146,363	3,037,442
Comprising:						
At cost	45,987	289,366	282,176	115,021	131,281	863,831
At valuation	1,003,000	774,815	314,847	65,868	15,081	2,173,611
	1,048,987	1,064,181	597,023	180,889	146,362	3,037,442
Depreciation:						
At start of the year	-	227,949	110,232	51,510	71,465	461,156
Charge for the year	-	58,272	57,898	35,143	18,710	170,023
Disposals	-	-	-	(5,709)	-	(5,709)
At 30 September 2012	-	286,221	168,130	80,944	90,175	625,470
Carrying value:						
At 30 September 2012	**1,048,987**	**777,960**	**428,893**	**99,945**	**56,187**	**2,411,972**

Notes to the Consolidated Financial Statements
for the year ended 30 September 2012 (C o n t i n u e d)

18. Property, Plant and Equipment *(continued)*

(a) Group *(continued)*

30 September 2011:	Freehold land KShs'000	Buildings and improvements KShs'000	Plant, machinery and tools KShs'000	Rolling stock and farm implements KShs'000	Furniture, computers and equipment KShs'000	Total KShs'000
Cost or valuation:						
At start of the year	1,003,000	1,026,153	458,681	129,010	104,881	2,721,725
Additions and transfers	-	23,165	78,154	33,330	16,040	150,689
Disposals	-	-	-	(8,467)	-	(8,467)
At 30 September 2011	1,003,000	1,049,318	536,835	153,873	120,921	2,863,947
Comprising:						
At cost	-	274,800	221,988	88,005	105,840	690,633
At valuation	1,003,000	774,518	314,847	65,868	15,081	2,173,314
	1,003,000	1,049,318	536,835	153,873	120,921	2,863,947
Depreciation:						
At start of the year	-	147,469	61,713	27,063	51,760	288,005
Charge for the year	-	80,480	48,519	26,329	19,705	175,033
Disposals	-	-	-	(1,882)	-	(1,882)
At 30 September 2011	-	227,949	110,232	51,510	71,465	461,156
Carrying value:						
At 30 September 2011	**1,003,000**	**821,369**	**426,603**	**102,363**	49,456	**2,402,791**

The Group's property was revalued on 30 September 2008 by Lloyd Masika Limited, a firm of registered independent valuers, on the market value existing use basis.

The Group's plant and equipment was revalued on 30 September 2009 by Lloyd Masika registered valuers, on the market value existing use basis.

The carrying values of the property, plant and equipment were adjusted to the revaluations and the resultant surplus and deferred tax effect, was recognised in other comprehensive income and accumulated in equity as at that date.

Included in property, plant and equipment are assets with a gross value of KShs 65,928,150 (2011 – KShs 20,647,900) which are fully depreciated but still in use. The notional depreciation charge on these assets would have been KShs 1,667,073.75 (2011 – KShs 169,937.50).

There were no idle assets at 30 September 2012 and 2011.

There was no property given as security as at 30 September 2012 and 2011.

18. Property, Plant and Equipment *(continued)*

(b) Company 30 September 2012:	Freehold land KShs'000	Buildings and improvements KShs'000	Plant, machinery and tools KShs'000	Rolling stock and farm implements KShs'000	Furniture, computers and equipment KShs'000	Total KShs'000
Cost or valuation:						
At start of the year	842,000	590,243	180,272	68,977	27,193	1,708,685
Additions and transfers	43,095	(51,414)	3,739	11,780	13,507	20,707
Disposals	-	-	-	(5,916)	-	(5,916)
At 30 September 2012	885,095	538,829	184,011	74,841	40,700	1,723,476
Comprising:						
At cost	43095	171,232	84,015	49,815	31,761	379,918
At valuation	842,000	367,597	99,996	25,026	8,939	1,343,558
	885,095	538,829	184,011	74,841	40,700	1,723,476
Depreciation:						
At start of the year	-	56,967	44,341	27,256	16,295	144,859
Charge for the year	-	28,503	13,980	14,447	5,307	62,237
Disposals	-	-	-	(5,679)	-	(5,679)
At 30 September 2012	-	85,470	58,321	36,024	21,602	201,417
Carrying value:						
At 30 September 2012	**885,095**	**453,359**	**125,690**	**38,817**	**19,098**	**1,522,059**
30 September 2011:						
Cost or valuation:						
At start of the year	842,000	579,954	173,886	43,107	21,822	1,660,769
Additions and transfers	-	10,289	6,386	28,653	5,371	50,699
Disposals	-	-	-	(2,783)	-	(2,783)
At 30 September 2011	842,000	590,243	180,272	68,977	27,193	1,708,685
Comprising:						
At cost	-	222,646	80,276	43,951	18,254	365,127
At valuation	842,000	367,597	99,996	25,026	8,939	1,343,558
	842,000	590,243	180,272	68,977	27,193	1,708,685
Depreciation:						
At start of the year	-	33,774	31,405	13,394	11,624	90,197
Charge for the year	-	23,193	12,936	14,221	4,671	55,021
Disposals	-	-	-	(359)	-	(359)
At 30 September 2011	-	56,967	44,341	27,256	16,295	144,859
Carrying value:						
At 30 September 2011	**842,000**	**533,276**	**135,931**	**41,721**	**10,898**	**1,563,826**

Notes to the Consolidated Financial Statements
for the year ended 30 September 2012 *(Continued)*

18. Property, Plant and Equipment *(continued)*
(b) Company (continued)

The Group's property was revalued on 30 September 2008 by Lloyd Masika Limited, a firm of registered independent valuers, on the market value existing use basis.

The Group's plant and equipment was revalued on 30 September 2009 by Lloyd Masika registered valuers, on the market value existing use basis.

The carrying values of the property, plant and equipment were adjusted to the revaluations and the resultant surplus and deferred tax effect, was recognised in other comprehensive income and accumulated in equity as at that date.

Included in property, plant and equipment are assets with a gross value of KShs 7,900 (2011 – KShs 7,900) which are fully depreciated but still in use. The notional depreciation charge on these assets would have been KShs 987 (2011 – KShs 987).

There were no idle assets at 30 September 2012 and 2011.

There was no property given as security as at 30 September 2012 and 2011.

(c) Capital work-in-progress

	Group 2012 KShs'000	Group 2011 KShs'000	Company 2012 KShs'000	Company 2011 KShs'000
Balance brought forward	21,645	6,392	-	-
Additions	37,877	28,626	-	-
Transfer to property, plant and equipment	(21,645)	(13,373)	-	-
	37,877	**21,645**	-	-

Capital work-in-progress relates to buildings and leasehold improvements under construction.

19. Intangible Assets

	Group 2012 KShs'000	Group 2011 KShs'000	Company 2012 KShs'000	Company 2011 KShs'000
Cost				
At 1 October	58,293	58,179	17,429	17,429
Additions	761	114	579	-
At 30 September	59,054	58,293	**18,008**	**17,429**
Amortisation				
At 1 October	28,535	18,388	6,972	3,486
Charge for the year	10,632	10,147	3,927	3,486
At 30 September	39,167	28,535	10,899	6,972
Carrying value				
At 30 September	**19,887**	**29,758**	**7,109**	**10,457**

Intangible assets relate to software costs.

20. Biological Assets

(a) Group

30 September 2012:	Coffee trees KShs'000	Tea bushes KShs'000	Other trees KShs'000	Livestock KShs'000	Total KShs'000
Carrying amount as at 1 October 2011	**2,757,425**	**2,720,499**	**252,704**	**12,650**	**5,743,278**
Gains/(losses) due to biological transformation at fair value	(481,850)	672,389	192,030	(3,695)	378,874
Decreases due to harvest at fair value	(319,051)	(434,961)	(40,364)	-	(794,376)
Changes in immature trees/bushes	1,007	(6,491)	-	-	(5,484)
	(799,894)	**230,937**	**151,666**	**(3,695)**	**(420,986)**
Carrying amount as at 30 September 2012	**1,957,531**	**2,951,436**	**404,370**	**8,955**	**5,322,292**
The reconciliation of fair value changes is analysed below:					
Carrying amount as at 1 October 2011	2,757,425	2,720,499	252,704	12,650	5,743,278
Changes due to price estimate	(736,543)	311,590	181,610	(2,214)	(245,557)
Changes due to yield estimate	(64,358)	(74,162)	(29,944)	(1,481)	(169,945)
Changes due to immature bushes/animals	1,007	(6,491)	-	-	(5,484)
Carrying amount as at 30 September 2012	**1,957,531**	**2,951,436**	**404,370**	**8,955**	**5,322,292**
30 September 2011:					
Carrying amount as at 1 October 2010	**1,852,068**	**3,213,474**	**247,562**	**14,131**	**5,327,235**
Gains/(losses) due to biological transformation at fair value	1,284,377	(627,214)	10,420	(1,481)	666,102
Decreases due to harvest at fair value	(381,849)	134,239	(5,410)	-	(253,020)
Changes in immature trees/bushes	2,829	-	132	-	2,961
	905,357	**(492,975)**	**5,142**	**(1,481)**	**416,043**
Carrying amount as at 30 September 2011	**2,757,425**	**2,720,499**	**252,704**	**12,650**	**5,743,278**
The reconciliation of fair value changes is analysed below:					
Carrying amount as at 1 October 2010	1,852,068	3,213,474	247,562	14,131	5,327,235
Changes due to price estimate	653,130	239,065	68,366	56,465	1,017,026
Changes due to yield estimate	255,304	(719,325)	(63,136)	(57,946)	(585,103)
Changes due to immature bushes/animals	(3,077)	(12,715)	(88)	-	(15,880)
Carrying amount as at 30 September 2011	**2,757,425**	**2,720,499**	**252,704**	**12,650**	**5,743,278**

20. Biological Assets *(continued)*

(a) Group (continued)

The Group is involved in the growing, processing and selling of coffee and tea and breeding of dairy cattle. At 30 September 2012, the Group had 127 (2011 - 162) cows able to produce milk, 127 (2011 - 104) calves that are raised to produce milk in the future, 0 (2011 - 4) bull calves and 382 (2011 - 313) sheep. The Group produced 639,776 (2011 - 595,469) litres of milk with a fair value less cost to sell of KShs 19,673,943 (2011 - KShs 12,406,189) in the year.

The Group has 879 hectares of mature coffee bushes and 33 hectares of immature coffee bushes. The Group harvested 980,430 (2011 - 862,741) Kgs of coffee with a fair value less cost to sell of KShs 329 million (2011 - KShs 435 million).

The Group has 1,438 (2011 - 1,391) hectares of mature tea bushes and 27 (2011 - 46) hectares of immature tea bushes. The Group harvested 23,050,070 (2011 - 27,785,945) Kgs of green tea leaves with a fair value less cost to sell of KShs 323 million (2011 - KShs 436 million).

(b) Company

30 September 2012:	Coffee trees KShs'000	Tea bushes KShs'000	Other trees KShs'000	Livestock KShs'000	Total KShs'000
Carrying amount as at 1 October 2011	**1,746,621**	**-**	**73,535**	**4,077**	**1,824,234**
Gains/(losses) due to biological transformation at fair value	(100,763)	-	17,802	1,141	(81,820
Decreases due to harvest at fair value	(271,577)	-	(3,584)	-	(275,161)
Changes in immature trees/bushes	4,056	-	-	(4,104)	(48)
	(368,284)	-	14,218	(2,963)	(357,029)
Carrying amount as at 30 September 2012	**1,378,337**	**-**	**87,753**	**1,114**	**1,467,205**
The reconciliation of fair value changes is analysed below:					
Carrying amount as at 1 October 2011	1,746,621	-	73,535	4,077	1,824,234
Changes due to price estimate	(347,173)	-	18,482	-	(328,691)
Changes due to yield estimate	(21,533)	-	(4,264)	(2,963)	(28,760)
Changes due to immature bushes/animals	422	-	-	-	422
Carrying amount as at 30 September 2012	**1,378,337**	**-**	**87,753**	**1,114**	**1,467,205**
30 September 2011:					
Carrying amount as at 1 October 2010	**1,351,927**	**74,110**	**-**	**4,097**	**1,430,134**
Gains/(losses) arising from changes in fair value less cost to sell due to:					
Gains/(losses) due to biological transformation at fair value	734,011	-	(680)	(20)	733,311
Decreases due to harvest at fair value	(341,691)	-	-	-	(341,691)
Changes in immature trees/bushes	2,374	-	106	-	2,480
	394,694	-	(574)	(20)	394,100
Carrying amount as at 30 September 2011	**1,746,621**	**74,110**	**(574)**	**4,077**	**1,824,234**

20. Biological Assets *(continued)*

(b) Company (continued)

30 September 2011:	Coffee trees KShs'000	Tea bushes KShs'000	Other trees KShs'000	Livestock KShs'000	Total KShs'000
The reconciliation of fair value changes is analysed below:					
Carrying amount as at 1 October 2010	1,351,927	-	74,110	4,097	1,430,134
Changes due to price estimate	236,500	-	(574)	(20)	235,906
Changes due to yield estimate	158,350	-	-	-	158,350
Changes due to immature bushes/animals	(156)	-	-	-	(156)
Carrying amount as at 30 September 2011	**1,746,621**	**-**	**73,536**	**4,077**	**1,824,234**

Where meaningful market-determined prices do not exist to assess the fair value of biological assets, the fair value is determined based on the net present value of the expected future cash flows from those assets, discounted at appropriate pre-tax rates. The discount rates used reflect the cost of capital, an assessment of the country risk and the risks associated with individual crops. Future cash flows have been discounted at 15%.

In determining the fair value of biological assets where the discounting of expected cash flows has been used, the directors have made certain assumptions as follows:

- Expected lifespan of the plantations (Coffee trees 20 years and Tea bushes 30 years);
- The climatic conditions will remain constant;
- The selling prices and growing costs to remain constant;
- The fair value of livestock is determined based on market prices of livestock of similar age and sex;
- Production is taken as an average of five years; and
- The biological transformation rate will remain at 100%.

The Group does not anticipate that coffee and tea prices will decline significantly in the foreseeable future and therefore has not entered into derivative or other contracts to manage the risk of a decline in coffee and tea prices. The Group reviews its outlook for coffee and tea prices regularly in considering the need for active financial risk management.

21. Prepaid Leases on Leasehold Land

	Group		Company	
	2012 KShs'000	2011 KShs'000	2012 KShs'000	2011 KShs'000
Cost				
Balance brought forward	23,058	23,058	9,210	9,210
At 30 September	23,058	23,058	9,210	9,210
Amortisation				
Balance brought forward	2,261	2,020	1,069	944
Charge for the year	241	241	125	125
At 30 September	2,502	2,261	1,194	1,069
Carrying value				
At 30 September	**20,556**	**20,797**	**8,016**	**8,141**

Notes to the Consolidated Financial Statements
for the year ended 30 September 2012 (C o n t i n u e d)

22. Available-For-Sale Financial Assets

	Group		Company	
	2012 KShs'000	2011 KShs'000	2012 KShs'000	2011 KShs'000
Trade investments:				
Unquoted	**525**	**525**	-	-

These relate to unquoted investments classified as available-for-sale and measured at cost.

23. Investment in Subsidiary Companies

	Group		Company	
	2012 KShs'000	2011 KShs'000	2012 KShs'000	2011 KShs'000
Shares in subsidiaries at cost	-	-	172,697	172,697

The details of subsidiary companies which are all incorporated in Kenya are as follows:

Name of subsidiary	*Percentage of equity held*
Kipkebe Limited	100
Keritor Limited	100 *(100% held by Kipkebe Limited)*
Kipkebe Estates Limited	100 *(100% held by Kipkebe Limited)*
Mweiga Estate Limited	85
Wahenya Limited	85 *(100% held by Mweiga Estate Limited)*
Aristocrats Coffee and Tea Exporters Limited	100
Sasini Coffee House Limited	60

Consolidated financial statements have been prepared incorporating the financial statements of the Company and its subsidiaries made up to 30 September 2012.

24. Inventories

	Group		Company	
	2012 KShs'000	2011 KShs'000	2012 KShs'000	2011 KShs'000
Made tea	124,443	114,766	-	47,654
Tea and tree nurseries	6,853	5,055	-	-
Coffee	87,836	107,107	84,665	47,501
Estate stores	211,457	158,686	31,855	32,496
	430,589	**385,614**	**116,520**	**127,651**

The amount of inventories recognised as an expense is KShs 1,249,872,498 (2011 – KShs 1,039,480,818) which is recognised in cost of sales.

25. Trade and Other Receivables

	Group		Company	
	2012 KShs'000	2011 KShs'000	2012 KShs'000	2011 KShs'000
Trade receivables	223,135	210,967	122,848	78,012
Allowances for impairment	(9,508)	(2,303)	(9,508)	(874)
Net trade receivables	213,627	208,664	113,340	77,138
Other receivables and prepaid expenses	195,756	138,632	70,052	44,481
	409,383	**347,296**	**183,392**	**121,619**
Allowances for impairment:				
At beginning of the year	2,303	3,016	874	2,494
Written off	(1,429)	(713)	-	(1,620)
Charge for the year	8,634	-	8,634	-
At the end of the year	**9,508**	**2,303**	**9,508**	**874**
Age analysis of trade receivables:				
Less than 30 days	103,894	96,741	4,680	3,343
31 to 90 days	70,181	72,848	15,820	50,477
Over 90 days (past due but not impaired)	37,682	32,081	94,070	23,318
Over 90 days (past due and impaired)	11,378	9,297	8,278	874
	223,135	**210,967**	**122,848**	**78,012**

26. Related Companies Balances

	Group		Company	
	2012 KShs'000	2011 KShs'000	2012 KShs'000	2011 KShs'000
Amount due from subsidiary companies:				
Mweiga Estate Limited	-	-	143,487	-
Aristocrats Coffee and Tea Exporters Limited	-	-	(126)	-
Kipkebe Limited	-	-	11,438	-
Sasini Coffee House Limited	-	-	7,929	7,801
	-	**-**	**162,728**	**7,801**
Amount due to subsidiaries				
Aristocrats Coffee and Tea Exporters Limited	-	-	-	2,596
Mweiga Estate Limited	-	-	-	48,800
Kipkebe Limited	-	-	-	29,475
	-	**-**	**-**	**80,871**

26. Related Companies Balances *(continued)*

	Group		Company	
	2012 KShs'000	2011 KShs'000	2012 KShs'000	2011 KShs'000
Amount due from/(to) related companies:				
Sasini Uganda Limited	-	1,734	-	1,734
Sameer Agriculture & Livestock Limited	1,435	(753)	-	-
Sameer Investments Limited	(17)	70	111	-
	1,418	**1,051**	**111**	**1,734**

27. Cash and Cash Equivalents

	Group 2012	Group 2011	Company 2012	Company 2011
Cash and cash equivalents	118,902	340,096	59,868	218,238
Short term deposit	149,579	149,007	5,414	6,527
	268,481	**489,103**	**65,282**	**224,765**

28. Share Capital

	Group 2012	Group 2011	Company 2012	Company 2011
Authorised:				
At 1 October and 30 September: 300,000,000 ordinary shares of KShs 1 each	**300,000**	**300,000**	**300,000**	**300,000**
Issued and fully paid:				
At 1 October and 30 September: 228,055,500 ordinary shares of KShs 1 each	**228,055**	**228,055**	**228,055**	**228,055**

All shares rank equally with regard to the company's residual assets. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

29. Reserves

	Group		Company	
	2012 KShs'000	2011 KShs'000	2012 KShs'000	2011 KShs'000
Non-distributable reserves:				
Revaluation reserve	1,891,423	1,930,953	1,158,925	1,169,396
Capital reserve	98,530	98,530	40,594	40,594
Biological assets fair value reserve	2,835,840	3,090,490	914,528	1,164,449
	4,825,793	**5,119,973**	**2,114,047**	**2,374,439**
Distributable reserves:				
Retained earnings	1,182,809	1,110,998	381,232	286,544
Proposed dividends	57,014	114,028	57,014	114,028
	1,239,823	**1,225,026**	**438,246**	**400,572**
Non-controlling interest	**133,131**	**189,118**	**-**	**-**

29. Reserves *(continued)*

Revaluation reserve

The revaluation reserve relates to increases in the fair value of property, plant and equipment and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity.

Biological assets fair value

The biological assets fair value relates to increases in the fair value of biological assets and decreases to the extent that such decrease relate to an increase on the same asset previously recognised in equity. The fair value movements are recognised in profit and loss but for purposes of monitoring the distribution of these reserves, the directors have transferred the amounts from retained earnings to equity.

30. Deferred Tax Liability

	Group		Company	
	2012 KShs'000	2011 KShs'000	2012 KShs'000	2011 KShs'000
Deferred tax comprises:				
Excess of tax allowances over Depreciation	260,187	270,351	106,817	119,860
Tax losses	(70,475)	(71,858)	-	(32,012)
Other temporary differences	(112,809)	(74,395)	(17,534)	(7,678)
Biological assets	1,596,688	1,722,983	440,162	547,270
	1,673,591	**1,847,081**	**529,445**	**627,440**
Deferred tax movement:				
Balance carried forward	1,673,590	1,847,081	529,445	627,440
Balance brought forward	(1,847,081)	(1,444,349)	(627,440)	(425,404)
Movement during the year	**(173,491)**	**402,732**	**(97,995)**	**202,036**
Analysis of movement during the year:				
Revaluation recognised in equity	(16,466)	(11,026)	(4,487)	(6,686)
Non controlling interest share in equity	(333)	(765)	-	-
Recognised in statement of comprehensive income (Note 15(a))	(156,692)	414,523	(93,508)	208,722
	(173,491)	**402,732**	**(97,995)**	**202,036**

The tax losses expire in 2014. Deferred tax assets have been recognised in respect of the cumulative tax losses as the Group will seek an extension of the utilisation of the tax losses for utilisation from future taxable profits.

Notes to the Consolidated Financial Statements
for the year ended 30 September 2012 (Continued)

31. Bank Loan

	Group		Company	
	2012 KShs'000	2011 KShs'000	2012 KShs'000	2011 KShs'000
Maturing within less than one year	55,703	131,682	55,703	131,682
Maturing after one and within five years	-	56,837	-	56,837
	55,703	**188,519**	**55,703**	**188,519**

This relates to a 24 months bank loan of USD 3 million from United Bank of Africa to finance redemption of a portion of the loan notes. The company has an undertaking to maintain an operation account with the lender for the purpose of effecting collections. The loan has a floating interest rate at a discount of 1 percent below the lender's Foreign Currency Prime Lending rate which is subject to review in line with prevailing market conditions and which at 30 September 2012 was 6.5% (2011 – 5%).

32. Post Employment Benefits

	Group		Company	
	2012 KShs'000	2011 KShs'000	2012 KShs'000	2011 KShs'000
Balance brought forward	222,952	197,728	18,380	19,460
Paid during the year	(19,979	(13,844)	(1,678)	(831)
Charge/(credit) for the year	44,232	39,068	2,188	(249)
Balance carried forward	**247,205**	**222,952**	**18,890**	**18,380**
Non-current portion	236,959	212,502	17,212	17,500
Current portion	10,246	10,450	1,678	880
	247,205	**222,952**	**18,890**	**18,380**

This relates to provision for staff gratuity. The Company has entered into collective bargaining agreements with trade unions representing its employees that provide for gratuity payments on age and ill-health, retirement, withdrawal, resignation and death in-service of an employee. The gratuity arrangements are unfunded.

An actuarial valuation was carried out by The Actuarial Services Company, registered actuaries, as at 30 September 2010.

The principle assumptions used were as follows:	(% p.a.)
Discount rate	10
Future salary increases	8

33. Trade and Other Payables

	Group		Company	
	2012 KShs'000	2011 KShs'000	2012 KShs'000	2011 KShs'000
Trade payables	85,001	233,382	53,477	44,327
Other payables	375,176	207,921	238,397	127,995
	460,177	**441,303**	**291,874**	**172,322**

34. Cash Flows Generated from Operations

Reconciliation of (loss)/profit before tax to cash generated from operations:

	Group		Company	
	2012 KShs'000	2011 KShs'000	2012 KShs'000	2011 KShs'000
(Loss)/profit before tax and non-controlling interests	(85,225)	1,014,139	(30,342)	767,852
Adjustments for:				
Depreciation and amortisation	180,896	185,421	66,289	58,632
Realised foreign exchange gain	(8,384)	(14,034)	(9,648)	(23,314)
Unrealised foreign exchange loss/(gain)	19,366	(42,281)	(1,890)	(18,714)
Interest income	(28,973)	(9,742)	(23,318)	(2,574)
Dividend received	-	-	(230,000)	(272,500)
Interest expense	7,814	29,129	7,814	20,279
Loss/(gains) on disposal of property, plant and equipment	(4,996)	3,035	(3,490)	504
Gain on disposal of available-for-sale investments	-	(50,914)	-	-
Loss/(gains) arising from changes in fair value of biological assets	420,986	(416,043)	357,029	(394,100)
Operating profit before working capital changes	**501,484**	**698,710**	**132,444**	**136,065**
Inventories	(44,975)	(106,857)	11,131	(42,523)
Trade and other receivables	(62,087)	(28,256)	(61,773)	(4,733)
Related company	(367)	2,400	1,623	(116)
Trade and other payables	18,874	62,064	119,552	(11,646)
Subsidiary companies balances	-	-	(235,798)	67,522
Post employment obligations	24,254	24,267	510	(1,079)
Cash flows generated from operations	**437,183**	**652,328**	**(32,311)**	**143,490**

35. Related Party Transactions

The Group shares common directors with some of its subsidiary companies and suppliers, to and from whom goods and services were supplied during the year under review. The following transactions were entered into with these related parties:

(a) Purchase of goods and services	Group		Company	
	2012 KShs'000	2011 KShs'000	2012 KShs'000	2011 KShs'000
Ryce East Africa Limited	1,714	4,773	1,714	4,773
Ryce Motors Limited/Yana Tyres	5,701	-	1,196	-
Ryce Engineering Limited	223	186	52	-
Sameer Investments Limited	184	111	184	111
Sameer Management Limited	3,081	-	81	-
Airtel Kenya Limited	570	384	377	258
Sameer Africa Limited	-	977	-	949
Sameer Agriculture and Livestock (K) Limited	304	764	304	153
Swift Global Kenya Limited	4,265	4,341	1,844	2,059
	16,042	**11,536**	**5,752**	**8,303**

The Company also shares common directors with one of its bankers, who provided a range of banking services to the Company during the year under review. One of the Company's directors is its legal adviser, who supplied a range of legal services to the Company during the year under review. The transactions entered into with these related parties were in the normal course of business and at arms length.

(b) Key management compensation	Group		Company	
	2012 KShs'000	2011 KShs'000	2012 KShs'000	2011 KShs'000
Short term employee benefits	40,851	48,793	28,628	20,467
Post employment benefits	4,218	3,648	3,040	1,999
	45,069	**52,441**	**31,668**	**22,466**

(c) Directors emoluments				
Fees	4,171	4,100	4,171	4,100
Other remuneration	10,636	10,101	10,636	10,101
	14,807	**14,201**	**14,807**	**14,201**

Other details in relation to related party balances are disclosed in Note 26.

36. Capital Commitments

	Group		Company	
	2012 KShs'000	2011 KShs'000	2012 KShs'000	2011 KShs'000
Authorised and contracted for	**116,988**	**4,500**	**986**	**-**
Authorised and not contracted	**116,964**	**266,682**	**6,921**	**30,670**

37. Contingent Liabilities

There are certain pending legal claims brought against the Group at 30 September 2012. In the opinion of the directors and after taking appropriate legal advise the outcome of the legal claims will not give rise to any significant loss beyond the amounts provided for in these financial statements.

During the year, the Kenya Revenue Authority issued an assessment against one subsidiary company for alleged unpaid principal taxes, interest and penalty thereon. The Directors have sought professional advice and have contested the claims against the Company. The Directors believe the claim will be successfully contested and therefore no provision has been made in the financial statements.

38. Operating Lease Rentals

(a) Lessor

The group has leased out office space to third parties. Non-cancellable operating lease rentals are received as follows:

	Group		Company	
	2012 KShs'000	2011 KShs'000	2012 KShs'000	2011 KShs'000
Less than one year	4,822	8,869	4,822	8,869
One year to five years	-	4,822	-	4,822
Over five years	-	-	-	-
	4,822	**13,691**	**4,822**	**13,691**

(b) Lessee

The group has leased office space from third parties. Non-cancellable operating lease rentals are payable as follows:

	Group		Company	
	2012 KShs'000	2011 KShs'000	2012 KShs'000	2011 KShs'000
Less than one year	11,013	14,506	978	2,729
One year to five years	15,822	20,005	-	3,480
Over five years	156	877	-	-
	26,991	**35,388**	**978**	**6,209**

39. Events After the Reporting Date

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

Five Year Comparative Statements

	2012	2011	2010	2009	2008
Production And Sales Statistics					
Tea					
Area – Hectares	1,465	1,437	1,437	1,437	1,437
Production – Tonnes	8,826	9,042	9,166	9,326	7,657
Sales – Tonnes	8,877	8,761	9,249	9,323	7,682
Sales proceeds - KShs/Kg	192	189	170	147	123
Coffee					
Area – Hectares	912	912	912	912	912
Production – Tonnes	980	863	1,106	1,362	1,112
Sales – Tonnes	1,008	908	1,114	1,527	1,132
Sales proceeds - KShs/Kg	407	618	392	262	244
Results	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
Turnover	2,779,883	2,665,877	2,297,929	2,182,090	1,442,072
(Losses)/gains arising from changes in fair value less costs to sell	(420,986)	(416,043)	904,832	568,992	1,302,454
(Loss)/profit before taxation and non-controlling interest	(85,225)	1,014,139	1,382,375	759,722	1,266,406
Taxation (charge)/credit	(38,888)	(563,792)	(388,646)	(226,690)	(381,202)
(Loss)/profit after taxation before non-controlling interests	(124,113)	450,347	993,729	533,032	885,204
Made up as shown below:					
Profit/(loss) arising from operating activities	186,857	384,664	352,553	137,206	(13,408)
(Loss)/profit arising from changes in fair value less costs to sell after tax	(254,650)	6,569	628,354	388,820	889,071
Non-controlling interest	(56,320)	59,114	12,822	7,006	9,541
	(124,113)	450,347	993,729	533,032	885,204
Dividends	(171,042)	(228,056)	(114,028)	(91,222)	-

Capital Employed	2012 KShs '000	2011 KShs '000	2010 KShs '000	2009 KShs '000	2008 KShs '000
Property, plant and equipment	2,411,972	2,402,791	2,433,720	2,435,962	1,941,955
Intangible assets	19,887	29,758	39,791	718	2,368
Biological assets	5,322,292	5,743,278	5,327,235	4,416,277	3,838,529
Prepaid leases - leasehold land	20,556	20,797	21,038	21,463	21,598
Capital work-in-progress	37,877	21,645	6,392	78,573	14,013
Other investments	525	525	4,229	4,229	6,045
Net current assets	524,243	659,798	708,611	636,885	610,576
	8,337,352	8,878,592	8,541,016	7,594,107	6,435,084
Financed By					
Share capital	228,055	228,055	228,055	228,055	228,055
Reserves	6,008,602	6,230,971	6,056,768	5,256,633	4,367,379
Non-controlling interests	133,131	189,118	136,739	131,523	121,872
Proposed dividend	57,014	114,028	68,417	45,611	-
Equity	6,426,802	6,762,172	6,489,979	5,661,822	4,717,306
Deferred tax	1,673,591	1,847,081	1,444,349	1,223,823	969,653
Bank loan	-	56,837	-	4,550	4,550
Loan notes	-	-	420,000	540,000	600,000
Post employment benefit obligations	236,959	212,502	186,688	163,912	143,575
	8,337,352	8,878,592	8,541,016	7,594,107	6,435,084
Ratios					
Earnings/(loss) per share on operating activities (KShs)	0.82	1.69	1.55	0.60	(0.06)
Earnings/(loss) per share on biological assets (KShs)	(1.12)	0.03	2.75	1.70	3.90
Dividend per share (KShs)	0.75	1.00	0.50	0.40	-
Dividend cover (times covered)	1.09	1.69	3.10	1.50	-
Capital employed per share	36.56	38.93	37.45	33.30	28.22

Notes:

Form of Proxy / Fomu ya Uwakilishi

I We ....

Of ....

being a member/members of Sasini Limited, do hereby appoint

....

....

or failing him/her ....

....

the duly appointed Chairman of the meeting to be my/ our proxy, to vote for me/us at the Annual General Meeting of the Company to be held at Kamundu Estate, Kiambu, Kenya on Friday 22nd February 2013 and at any adjournment thereof.

As witness my/our hand(s) this ....

day of 2013

Signature ....

Notes:

- To be valid, this proxy must be deposited at the Registered Office of the Company not less than 48hours before the time appointed for holding the meeting.
- If the appointer is a corporation, the proxy must be executed under its common Seal or under the hand of an officer or attorney duly authorized in writing.

Mimi/sisi ....

wa ....

nikiwa/tukiwa mwanachama/wanachama wa Sasini Limited, namchagua/twamchagua

....

....

au akikosa yeye ....

....

Mwenyekiti aliyechaguliwa wa mkutano kuwa kama mwakilishi wangu/wetu, kupiga kura kwa niaba yangu/yetu kwenye mkutano mkuu wa mwaka wa Kampuni utakaofanyika katika shamba la Kamundu,Kiambu, Kenya siku ya Ijumaa tarehe 22 Februari 2013 na kwenye uahirishwaji wake wowote.

Kama ushahidi wangu/wetu hii siku ya ....

Mwezi wa 2013

Sahihi ....

Maelezo:

- Ili kuwa halali, fomu hii ya uakilishi lazima ifikishwe kwenye afisi iliyoandikishwa ya kampuni kwa muda usiopungua masaa arobaini na nane kabla ya wakati uliochaguliwa wa kufanya mkutano.
- Ikiwa mwanachama ni shirika, uakilishi uwe kwenye muhuri wa kawaida au kwa idhini ya afisaa au mwanasheria aliyeidhinishwa kwa maadishi.

FOLD 2

Affix
Stamp
Here

The Company Secretary
Sasini Limited
P. O. Box 30151
00100 GPO
Nairobi
Kenya

Sasini

FOLD 3

FOLD 1

Insert Flap Inside

Direction to Kamundu Estate

Key:
Road to Sasini Coffee Mill, Kamundu Estate

Sasini

A Member of Sameer Group

Sasini Limited and Subsidiaries

Sasini House, Loita Street
P.O. Box 30151 - 00100
NAIROBI

Telephone: (254-020) 342166/71/72 • Mobile: 0722 200706, 0734 200706
E-mail: info@sasini.co.ke • Website: www.sasini.co.ke