Sasini

A Member of Sameer Group

Sasini Limited and Subsidiaries

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2013

Contents

Directors and Statutory Information

Directors

Chairman Dr. J. B. McFie, PhD, MBS
Managing Dr. M. J. C Mwangi, PhD (Resigned 31 December 2013)
N. N. Merali, CBS
A. H. Butt, CPA (Kenya), FCCA
S. N. Merali, MSc
M. J. Ernest, BA (Hons), FCA *
Mrs. L. W. Waithaka, MSc
Dr. S. O. Mainda, PhD, MA, CII, EBS

** British*

Secretary

Mary Rebecca Ekaya, CPS (Kenya)
PO Box 30151 – 00100
NAIROBI

Advocates

Shapley Barret & Company
PO Box 40286 - 00100
NAIROBI

Hamilton Harrison and Mathews
PO Box 30333 - 00100
NAIROBI

Timamy and Company Advocates
PO Box 87288 - 80100
MOMBASA

Registered Office and Principal Place of Business

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Loita Street
P.O. Box 30151 - 00100
NAIROBI

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(254-020) 342166/71/72

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E-mail
info@sasini.co.ke

Website
www.sasini.co.ke

Auditors

KPMG Kenya
8th Floor, ABC Towers
Waiyaki Way
PO Box 40612 - 00100
NAIROBI

Bankers

Barclays Bank of Kenya Limited
Barclays Plaza
PO Box 46661 - 00100
NAIROBI

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

Equatorial Commercial Bank Limited
Waiyaki Way
PO Box 52467 - 00200
NAIROBI

Kenya Commercial Bank Limited
Kiambu Branch
PO Box 81
KIAMBU

Standard Chartered Bank Kenya Limited
Kiambu Branch
PO Box 117-00900
KIAMBU

UBA Kenya Bank Limited
Ring Road, Vale Close Westlands
PO Box 34154 -00100
NAIROBI

Vision

“ To be the leading agribusiness in Africa.”

Mission

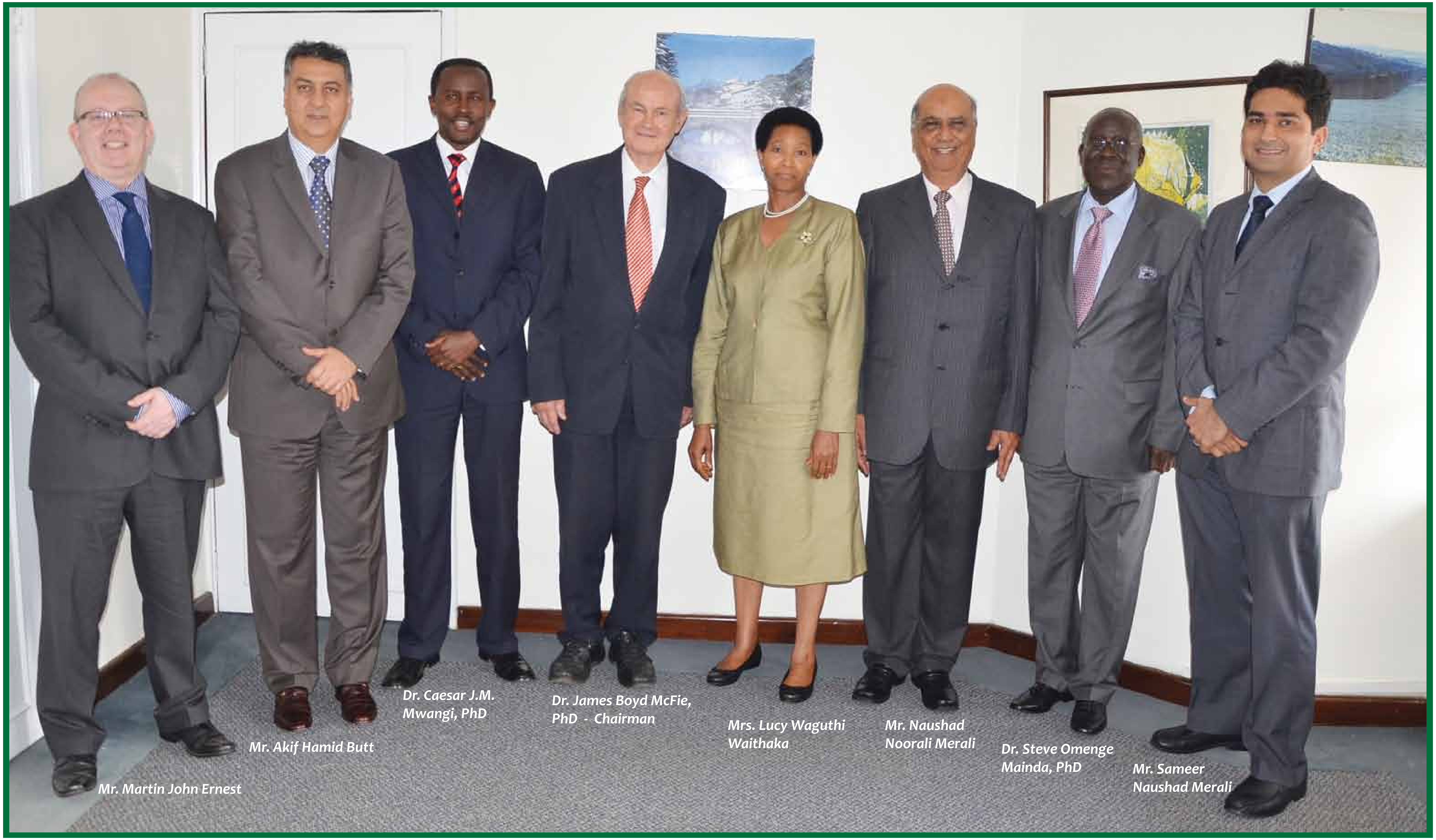
“ To focus on innovative and efficient business practices, quality products and commitment to all our stake holders.”

Our Core Values

- **Integrity**
- **Efficiency**
- **Positive attitude**
- **Respect**
- **Teamwork**

Certifications

- **Utz certification for its coffee operations;**
- **Rain Forest Alliance certification for its Tea Operations**
- **Kenya Bureau of Standards Diamond mark of quality for its branded Tea, Coffee and dairy products;**
- **Eurepgap for its horticulture products.**
- **ISO 22000:2005 certification.**



Sasini Ltd and Subsidiaries

Sasini Annual Report and Financial Statements for the year ended 30 September 2013 5

Board of Directors

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.

Dr. Steve Omenge Mainda, PhD - Non Executive

Dr. S. O. Mainda was awarded a Doctorate Degree *(Honoris Causa)* in Strategic Management by Makerere University in 2013. He also 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 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.

Mr. Moses K. Changwony - Managing Director

Appointed as Managing Director with effect from 1st January 2014 to succeed Dr Caesar Mwangi. Mr. Moses K. Changwony has over 25 years experience in managerial capacity. He holds a Bachelor of Arts Degree from the University of Nairobi. He studied Government and graduated *summa cum laude*.

Prior to joining Sasini Limited, he served as Project Director of Mat International Sugar Limited and as Managing Director of Riverine Invests Limited, Tana and Athi Rivers Development Authority, and DL Group. He has consulted for various local and international enterprises in the areas of sugar and livestock farming, fish farming and green house project for tomato farming.

Senior Management Team

Mr. Moses K. Changwony
Managing Director

Mr. James Muriithi Kieu
General Manager, Coffee Operations

Mr. Shashidhar Menon
General Manager, Tea Operations

Mr. Samuel Kanga Odalo
Group Financial Controller

Mrs. Mary Rebecca Ekaya
Company Secretary / Group Legal Officer

Ms. Priscah Muthoni Keah
Head Of Human Resources

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.

Mr. Moses K. Changwony - **Managing Director**

Appointed as Managing Director with effect from 1st January 2014 to succeed Dr Caesar Mwangi.
Mr. Moses K. Changwony has over 25 years experience in managerial capacity. He holds a Bachelor of Arts Degree from the University of Nairobi. He studied Government and graduated *summa cum laude.*
Prior to joining Sasini Limited, he served as Project Director of Mat International Sugar Limited and as Managing Director of Riverine Invests Limited, Tana and Athi Rivers Development Authority, and DL Group. He has consulted for various local and international enterprises in the areas of sugar and livestock farming, fish farming and green house project for tomato farming.

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. 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. 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.

Notice of Annual General Meeting

Notice is hereby given that the **Sixty-second (62nd) ANNUAL GENERAL MEETING** of the members will be held at Kamundu Estate, Kiambu, on Friday 28th February 2014, at 11.30 a.m, for the following purposes:

1. To confirm the minutes of the Sixty first (61st) Annual General Meeting held on 22nd February 2013.

2. To receive, consider and if deemed fit, adopt the Annual Report and Financial Statements for the year ended 30th September 2013 together with the reports thereon of the Directors and of the Auditors.

3. To confirm the interim dividend of 25% paid on 26th July 2013.

4. To elect the following Directors:
   I. Mr. M.J. Ernest, a Director retiring by rotation, who being eligible, offers himself for re-election.
   II. Mr. S. N. Merali, a Director retiring by rotation, 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. Special Business
   To consider and if thought fit, pass the following resolution, as Special Resolution.

   Resolution
   That the Articles of Association of the Company be amended by the insertion of the following Article in order to comply with the requirements of the Unclaimed Financial Assets Act:

   124 (a) The Company shall, as required by the Unclaimed Financial Assets Act, deliver or pay to the Unclaimed Financial Assets Authority any unclaimed assets including but not limited to shares and dividends in the Company presumed to be abandoned or unclaimed in law and any dividend remaining unclaimed beyond prescribed statutory periods and the Board may perform such acts as may be necessary to effect such delivery or payment. Upon such delivery or payment, the unclaimed assets shall cease to remain owing by the Company and the Company shall no longer be responsible to the Member or his or her estate, for the relevant unclaimed assets.

8. 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
10 December 2013

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 mbili (62) wa wanachama utafanyika katika shamba la Kamundu, Kiambu, Ijumaa, tarehe 28 Februari 2014, saa tano na nusu asubuhi kwa madhumuni yafuatayo:

1. Kuthibitisha matokeo ya Mkutano Mkuu wa Kila Mwaka wa Sitini na moja (61) uliofanyika tarehe 22 Februari 2013.

2. Kupokea, kuchunguza na ikionekana sawa kuidhinisha Ripoti ya Mwaka na Taarifa za Kifedha za mwaka uliomalizikia tarehe 30 Septemba 2013, pamoja na taarifa za Wakurugenzi na Wakaguzi wa hesabu.

3. Kuthibitisha mgao wa faida wa muda wa asilimia 25 uliolipwa tarehe 26 Julai 2013.

4. Kuwachagua wakurugenzi wafuatao:
   I. Bw. M.J. Ernest, Mkurugenzi anayestaafu kwa zamu, ambaye kwa kuwa ana haki ya kuchaguliwa, anajitolea kuchaguliwa tena.
   II. Bw. S.N. Merali, Mkurugenzi anayestaafu kwa zamu, 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. Shughuli Maalum
   Kuzingatia na ikifikiriwa sawa, kupitisha azimio ifuatayo kama azimio maalum.
   Kuwa Kanuni za Kampuni zirekebishwe kwa kuingiziwa kwa kanuni ifuatayo ili kukubaliana na mahitaji ya sheria ya mamlaka ya Rasilimali za Kifedha Zisizodaiwa:

   124 (a) Kama inavyotarajiwa na Sheria ya Rasilimali za Kifedha Zisizodaiwa, Kampuni itatoa au kulipa kwa Mamlaka ya Rasilimali za Kifedha Zisizodaiwa rasilimali zozote zisizodaiwa zikiwa ni pamoja na hazikujifunga na hisa au mgao wa faida katika Kampuni, zinazokisiwa kuwa zimeachwa au zisizodaiwa kisheria na mgao wowote unaobakia usiodaiwa katika muda wa kisheria na Halmashauri inaweza kutenda inavyohitajika kutekeleza kukabidhi malipo hayo.Baada kukabidhi au kulipa, rasilimali hizo zisizodaiwa zitaacha kuwa deni la Kampuni na Kampuni haitowajibika tena kwa Mwanachama au kwa mali yake,kwa rasilimali zisizodaiwa zinazohusika.

8. 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 10 Desemba 2013

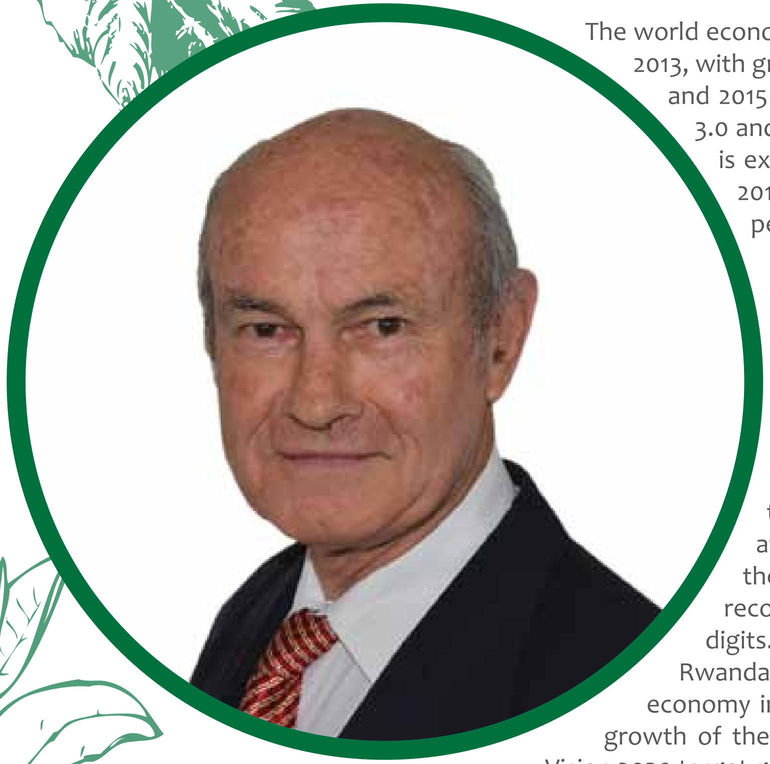
Maelezo
- Mwanachama mwenye haki ya kuhudhuria na kupiga kura katika mkutano huu aweza kuchagua mwakilishi kuhudhuria na kupiga kura kwa niaba yake na mwakilishi huyo si lazima awe mwanachama wa Kampuni.

- Fomu ya uwakilishi imeshikanishwa.

Chairman's Statement

Economy And Business Environment

Global and African Economies



The world economy experienced subdued growth for another year in 2013, with growth estimated at 2.1 per cent . The outlook for 2014 and 2015 is slightly more optimistic with growth projected at 3.0 and 3.3 per cent respectively. The marker Brent oil price is expected to be about US$108 per barrel (pb) in 2014 – 2015, a little below the estimated average of US$108.1 per barrel in 2013 and US$111.6 in 2012.

For Africa, after an estimated growth of 4.0 per cent in 2013, the economy of the continent is projected to accelerate to 4.7 per cent in 2014.

National Economy

For Kenya, the latest World Bank estimates are that the economy grew by 5 per cent in 2013 and will grow at 5.1 per cent in 2014. This is a slight improvement over the 4.6% gross domestic product (GDP) growth rate it recorded in 2012. Inflation is expected to remain in single digits. For 2013, Tanzania targets growth of 7 percent and Rwanda 6.6 percent. Once again, the rate of growth of the economy in Kenya is below that of its neighbours. The rate of growth of the economy in Kenya is still significantly short of the Vision 2030 target growth rate of 10%.

The rate of inflation has remained relatively stable in 2013, although it increased to 8.29% in September 2013, from 4.5% in February, after the government imposed value added tax on a wide range of goods that were previously tax free. The Kenya shilling also remained fairly stable against major trading currencies, enabling the Central Bank to lower interest rates and induce increased commercial bank lending to the private sector. In mid 2013 foreign exchange reserves stood at US$5.8 billion, or the equivalent of 4.1 months of import cover . Also, the Nairobi Securities Exchange index rose by 14% in 2013, as domestic and foreign investors entered the market for better yields. Public debt remained around 45% of GDP but has continued to come under pressure from increased government borrowing for infrastructure – which is considered necessary to achieve higher growth and Vision 2030 goals. The funds available for infrastructural development have been crowded out by the high levels of recurrent expenditure that accompanied the implementation of the new constitution. The jury is out whether these high levels of recurrent expenditure can be sustained into the future.

Going forward, it is expected that lower interest rates and higher investment are expected to support Kenya's economic growth in the next two years . Momentum for growth is expected in agriculture and manufacturing, supported by more stable energy supplies, while other sectors, including services, and Information and Communications Technology (ICT) that have driven growth in the past three years have weakened. The macroeconomic environment has also stabilized, though competition for power and resources between the new counties and the national government has increased pressure on public resources.

The World Bank 2013 Economic Survey update observes that the economy has been operating below its potential and remains vulnerable to external shocks, which undermine its prospects for growth and poverty reduction. Tourism has been weak due to constraints in source markets and the current account to GDP ratio remains at 10%. Net exports remain a drag to growth as imports continue to rise due to strong demand for capital goods, while exports remain low due to the restricted mix of products that Kenya exports and lower demand from Kenya's trading partners in Europe.

Global Tea Trends

Global black tea production saw a healthy rise of 9.18% in 2013, according to the Indian Tea Board and traders' bodies. The Global Tea Digest 2013 says that black tea production around the world rose to 1,860 million kilograms from 1,703 million kilograms a year ago, with almost all producing countries registering a bumper crop.

The largest black tea producer was once again India, with 1,028 million kilograms, or more than half of the total. It also witnessed the biggest production increase of 76 million kg. India is followed by Kenya (354 million kg) and Sri Lanka (278 million kg). Then come Bangladesh, Indonesia, Malawi and Tanzania, all with higher output. Only Uganda posted a shortfall in its production of 45 million kg, albeit a marginal one.

In August 2013, the Tea Board of Kenya observed that since January 2013, most of the black tea producing countries had recorded higher production of between 0.12 to 7.45 percent compared to the previous year. This increased production explains the decline in the price of black tea during 2013.

National Tea Trends

The Kenyan tea trends can be reviewed in relation to tea exports which include tea trans-shipments from landlocked tea producing countries and in relation to tea production in Kenya.

Kenya's tea exports (including tea from landlocked countries trans-shipped through Kenya) hit 336.7 million kg in the first eight months of 2013, compared to 278.1 million kg in 2012 . For 2013 this number would reach 480 million kilograms up from 430 million kilograms in 2012, a 12 percent increase.

In relation to local production, tea production in the first eight months of the year jumped by almost 30 percent as production was 278.1 million kg compared to 2012's 214.4 million kg. According to the Tea Board of Kenya (TBK), Kenya's tea production for 2013 was projected to reach 415 million kilograms, which represents a 12 percent increase from 2012's production of 369 million kg. The expanded production levels were fueled mainly by prevailing favorable weather in the major tea producing areas.

In terms of earnings, the TBK report indicated that the tea industry earned 953 million U.S. dollars from exports from January to August, up from 817 million dollars in the same period in 2012. The Board expected that 2013 tea export earnings would hit 1.42 billion dollars, a nine percent increase from 2012's 1.3 billion dollars. The increase in earnings is expected to be less than the increase in production due to the decline in the price per Kg.

Kenya's major export tea markets have generally not changed and include Pakistan, Egypt, Britain, Afghanistan and Sudan. These five countries together absorb 71 percent of all the exports. TBK is pushing to diversify exports markets to increase exports to other markets such as Russia, Ukraine Kazakhstan, the USA as well as Canada.

Kenya's tea prices experienced downward pressure in early 2013 due to increased production combined with overstocking by buyers prior to the run-up to the March 2013 Elections. Prices in the major global tea auctions have also been lower in 2013 compared to 2012. As at August 2013, the price of Kenya's tea in U.S. dollars had reduced by 15 percent while India's fell by seven percent.

In relation to local consumption of Tea, the Tea Board indicated that local consumption of tea was 15.7 million kg for the first eight months of 2013 compared to 12. 3 million kgs in a similar period in 2012. This reflects a 27 percent rise mainly attributed to increased promotion of tea consumption in Kenya.

Global Coffee Trends

The year 2013 has been a difficult year for the global coffee industry. The latest data from the International Coffee Organization (ICO) shows that reduced prices internationally have pushed the ICO composite indicator — which tracks the prices of coffee — down by 7.4 per cent, the lowest level since September 2009.

Coffee producers in the East African region have also observed that poor weather conditions could significantly change the fortunes of the agriculture sector that employs more than 60 per cent of the region's workforce. East Africa Fine Coffee Association (EAFCA) has observed that given current price trends, there is a diminishing incentive for farmers to invest in their crops, and the use of inputs such as fertilizers and labour will likely be reduced .

Chairman's Statement

National Coffee Trends

Kenya has established herself as an important supplier of high quality coffee over time. Looking at past trends, the country supplied coffee worth US$ 224 million in 2011. However, the Country's Coffee production has been on a worryingly downward trend. Production had declined to 43,096 metric tonnes (mt) in 2010, 36,629mt in 2011 but improved to 49,003mt in 2012. In 2013, it is expected to be approximately 40,000 mt. Average prices at the Nairobi Coffee Exchange have declined over the recent past. In 2011, the average price per kg was US$ 6.73 and this declined by 32% in 2012 to US$ 4.57. In 2013 the average price fell to a low of US$ 2.73 in May 2013 from 3.96 US$ per kilogram in January 2013 .

The drop in prices has a negative impact on production volumes and quality and the Government should consider setting up a coffee stabilization fund to minimize the risk of a total closing down of the coffee industry along with all the benefits of employment and foreign exchange earnings that accrue from this important industry.

Group Financial Results

Overview

The year 2012/13 has seen an increase in the overall profitability of the Sasini Group in relation to the previous year.

The results from operating activities increased to Kshs 144.73 million from a loss of Kshs 95.40million in the previous year.

The increase in profitability is largely as a result of higher production and sales volume of both tea and coffee during the year compared to the prior year. The improved pattern of rainfall during the year also contributed to the increased production.

Results were however, negatively impacted by the declining prices of coffee and tea in the global market and the effects of a strengthening Kenya Shilling. Profit margins have been further eroded by the increased costs of production in relation to labour, power and agricultural inputs. The company has however continued to implement efficiency measures in its operations.

After losses from changes in fair value of biological assets, the profits for the year attributable to owners is Kshs 84.63 million compared to the prior year loss of Kshs 67.79 million.

Tea Production

During the year, our factories produced 11,061 Tons of made tea compared to 8,826 Tons in the previous year. The average price realized for tea was US$2.20/kg compared to US$ 2.30/kg in the previous Financial Year. There was a gradual decline in tea prices during the last quarter of the financial year which negatively impacted on our results.

Coffee Production

During the year, our estates produced 1,201 Tons of Coffee compared to 980 Tons in the previous year. This 22.55% increase is attributed to more favourable growing conditions for coffee and improved crop husbandry.

The average price realized for coffee was US$ 3.92/kg compared to US$4.71/kg in the previous Financial Year. The continued decline of global prices of coffee is causing anxiety among coffee producers and it has been suggested that a stabilization fund should be set up to assist farmers.

Social Responsibility

As part of our environmental conservation initiative the Sasini team planted indigenous trees at Ndumberi Primary School, Kiambu as well as at St. Joseph Primary School, Ting'ang'a.The scenic beauty of the environment plays a key role in promoting a conducive learning environment and it is with this thought that Sasini has made it a routine to mow the playing grounds for St. Joseph Primary School, Ting'ang'a.

The annual farmers' day was conducted on the 6th December 2013 as a culmination of the extension services where farmers get the opportunity to visit the facility that mills their coffee; they also have one on one interaction with the managers on plant husbandry and other value added services which lead to better produce during the farming season.

In support of the girl child education and to ensure continuous attendance of classes, the team donated sanitary towels to

girls in classes 6-8 in Ndumberi Primary School. In addition, the team also donated geometric sets to class eight pupils as well as tooth brushes and tooth pastes to the pupils.

As part of its education initiatives, Sasini supported a very needy pupil who emerged top from within the estates to raise school fees in order to secure a place in secondary school.

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.

Progress in Strategic Initiatives

As I mentioned in last year's statement, the company had embarked on performance enhancement initiatives; these are still on track. The diagnostic analysis of the nutrient levels in our coffee farms geared towards maximizing the production level is ongoing. The uprooting and replanting programs in our tea estates aimed at boosting productivity per hectare in the fields are also still ongoing. The tea factories machinery enhancements aimed at boosting factory efficiency and made tea quality are also still ongoing.It is expected that all these initiatives once complete will improve the prospectof improved profitability in the future.

The company celebrated the achievement of the ISO 22000/2005 certification in its coffee operations. This together with the other achievements will expand our market reach.

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. Particular mention also goes to Dr. Caesar Mwangi for his invaluable contribution to this company. Dr. Mwangi opted to leave the company on 31st December 2013 to pursue other interests after five years of steering the company to new heights. As a Board, we welcome his successor, Mr. Moses K. Changwony to the Board and the Sasini fraternity. Mr. Changwony brings to the company a wealth of experience in Agricultural technological interventions and investment strategy.

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

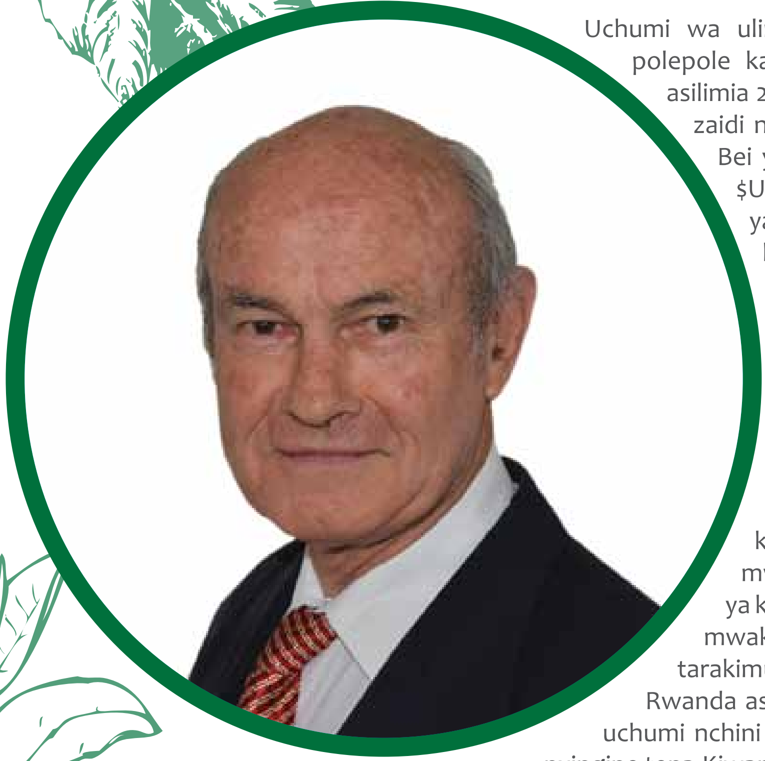
James Boyd McFie

[1]The World Economic Situation and Prospects produced by UNCTAD in December 2013.
[2]Central Bank of Kenya
[3]World Bank Kenya Economic Survey Update Report of June 2013.
[4]Tea Board of Kenya August update
[5]EAFCA 2013 update
[6]Nairobi Coffee Exchange

Taarifa Ya Mwenyekiti

Uchumi Na Mazingira Ya Biashara

Chumi za Kilimwengu na za Kiafrika



Uchumi wa ulimwengu ulipitia ukuaji wa mwaka mwengine wa polepole katika mwaka 2013, na ukuaji ukikadiriwa kuwa wa asilimia 2.1 .Matarajio ya mwaka 2014 na 2015 kidogo ni mazuri zaidi na ukuaji ukikisiwa kuwa asilimia 3.0 na 3.3 mtawalia. Bei ya mafuta ya alama ya Brent inatarajiwa kuwa kama $US 108 kwa pipa katika mwaka 2014-2015,kidogo chini ya bei ya wastani iliyokadiriwa ya $US 108.1 kwa pipa katika mwaka 2013 na $US 111.6 katika mwaka 2012. Kwa Afrika, uchumi wa bara unatarajiwa kuchapuka kwa asilimia 4.7 katika mwaka 2014, baada ya ukuaji uliokadiriwa wa asilimia 4.0 katika mwaka 2013.

Uchumi wa Kitaifa

Makadirio ya karibuni zaidi ya Benki ya Ulimwengu kuhusu Kenya ni kuwa uchumi ulikua kwa asilimia 5 katika mwaka 2013 na utakua kwa asilimia 5.1 katika mwaka 2014.Hili ni ongezeko kidogo juu ya asilimia 4.6 ya kiwango cha ukuaji cha pato la taifa lililorekodiwa katika mwaka 2012.Mfumko wa bei unatarajiwa kubakia katika tarakimu moja.Nchi ya Tanzania ililenga ukuaji wa asilimia 7 na Rwanda asilimia 6.6 katika mwaka 2013.Kiwango cha ukuaji cha uchumi nchini Kenya kipo chini ya kile cha majirani zake kwa mara nyingine tena.Kiwango cha ukuaji cha uchumi nchini Kenya bado kipo chini ya shabaha ya asilimia 10 ya kiwango cha ukuaji cha Ruwaza ya mwaka 2030.

Kiwango cha mfumko wa bei kimebakia thabiti kiasi katika mwaka 2013,ijapokuwa kiliongezeka kuwa asilimia 8.29 katika mwezi Septemba 2013, kutoka asilimia 4.5 mwezi Februari, baada ya serikali kutoza kodi ya nyongeza kwa bidhaa nyingi tofauti ambazo awali zilikuwa hazitozwi ushuru.Shilingi ya Kenya pia ilibakia thabiti kiasi dhidi ya fedha muhimu zinazotumika, ikiwezesha Benki kuu kupunguza viwango vya riba na kusababisha ukopeshaji ulioongezeka wa benki za kibiashara kwa sekta ya kibinafsi. Katikati ya mwaka 2013,akiba ya fedha za kigeni ilikuwa $US bilioni 5.8, au sawa na miezi 4.1 ya fidia ya maduhuli . Kielezo cha Soko la Hisa la Nairobi kimeongezeka kwa asilimia 14 pia, wakati waekezaji wa nchini na wa kigeni waliingia katika soko kupata mapato zaidi.Deni la umma lilibakia kama asilimia 45 ya jumla ya Pato la Taifa lakini limeendelea kuwa na shinikizo kutoka kwa ukopeshaji wa serikali unaoendelea wa muundomsingi- ambao unafikiriwa ni lazima, kupata ukuaji wa juu na kutimiza malengo ya Ruwaza ya mwaka 2030.Fedha zilizoko kwa maendeleo ya kimuundo msingi zimepunguzwa na viwango vya juu vya matumizi ya kawaida yalioandamana na utekelezaji wa katiba mpya.Haijajulikana ikiwa viwango hivi vya juu vya matumizi ya kawaida vinaweza kuendelezwa katika siku za usoni.

Tukienda mbele, inatarajiwa kuwa viwango vya chini vya riba na uekezaji wa juu zaidi zinatarajiwa kusaidia ukuaji wa kiuchumi wa Kenya katika miaka miwili ijayo .Msukumo wa ukuaji unatarajiwa katika kilimo na utengenezaji, unaosaidiwa na akiba thabiti zaidi ya nishati, wakati sekta nyingine,pamoja na huduma, na Habari na Teknolojia ya Mawasiliano ambazo zimesukuma ukuaji katika miaka mitatu iliopita zimedhoofika.Mazingira ya uchumi mkubwa pia yameimarika ,ijapokuwa mashindano ya madaraka na rasilimali baina ya kaunti mpya na serikali ya kitaifa yameongeza shinikizo kwenye rasilimali za umma.

Taarifa ya Uchumi ya Benki ya Ulimwengu mwaka 2013 inaeleza kuwa uchumi umekuwa ukitenda chini ya uwezo wake na unabakia wa kudhurika na hatari za nje, zinazodhoofisha matarajio yake ya ukuaji na upunguzaji wa umaskini.Utalii umekuwa dhaifu kutokana na pingamizi katika masoko ya vyanzo na akaunti ya sasa kwa uwiano wa Jumla ya Pato la Taifa inabakia asilimia 10. Jumla ya biasharanje inabakia kizuio kwa ukuaji wakati bidhaa

kutoka nchi za nje zinaendelea kuongezeka kutokana na mahitaji imara ya bidhaa za mtaji hali mahuruji yanabakia chini kutokana na mchanganyiko finyu wa bidhaa ambazo Kenya inasafirisha na mahitaji ya chini kutoka kwa wenzi wa kibiashara wa Kenya bara Ulaya.

Mielekeo ya Kilimwengu ya Majani Chai

Uzalishaji wa majani chai meusi wa kilimwengu uliongezeka vizuri kwa asilimia 9.18 katika mwaka 2013, kulingana na Halmashauri ya Majani Chai ya India na mashirika ya wafanyi biashara. The Global Tea Digest mwaka 2013 linasema kuwa uzalishaji wa majani chai meusi kote ulimwenguni uliongezeka kuwa kilo milioni 1,860 kutoka kilo milioni 1,703 mwaka mmoja uliopita, na karibu nchi zote zinazozalisha zikipata zao lingi mno.

Mzalishaji mkuu zaidi wa majani chai meusi ilikuwa India kwa mara nyingine tena, na kilo milioni 1,028, au zaidi ya nusu ya jumla yote.Pia ilipata ongezeko kubwa zaidi la uzalishaji la kg. milioni 76.India inafuatwa na Kenya (kg.milioni 354) na Sri Lanka (kg. milioni 278).Kisha zinafuata Bangladesh, Indonesia, Malawi na Tanzania, zote zikiwa na uzalishaji zaidi. Uganda pekee ilipata upungufu ijapokuwa mdogo katika uzalishaji wake wa kg. milioni 45.

Mwezi Agosti mwaka 2013, Halmashauri ya Majani Chai ya Kenya ilieleza kuwa kutokea mwezi wa Januari mwaka 2013, karibu nchi zote zinazozalisha majani chai meusi zilikuwa zimerekodi uzalishaji zaidi wa baina asilimia 0.12 na 7.45 ikilinganishwa na mwaka uliopita.Uzalishaji huu ulioongezeka unaelezea kupungua katika bei ya majani chai meusi katika mwaka 2013.

Mielekeo ya Kitaifa ya Majani Chai

Mielekeo ya majani chai ya Kenya inaweza kutazamwa kulingana na mahuruji ya majani chai ambayo yanajumlisha kubadili shehena ya majani chai kutoka nchi zinazozalisha majani chai zisizokuwa na bandari na kwa kuhusiana na uzalishaji wa majani chai nchini Kenya.

Mahuruji ya majani chai ya Kenya (pamoja na majani chai kutoka nchi zisizokuwa na bandari inayosafirishwa kupitia Kenya) ilifikia kg. milioni 336.7 katika miezi minane ya mwanzo ya mwaka 2013, ikilinganishwa na kg. milioni 278.1 katika mwaka 2012 . Kwa mwaka 2013 idadi hii itafikia kilogramu milioni 480 ongezeko kutoka kilogramu milioni 430 katika mwaka 2012, ongezeko la asilimia 12.

Kuhusiana na uzalishaji nchini, uzalishaji majani chai katika miezi minane ya mwanzo wa mwaka uliongezeka kwa karibu asilimia 30 kwa vile uzalishaji ulikuwa kg. milioni 278.1 ikilinganishwa na kg. milioni 214.4 katika mwaka 2012. Kulingana na Halmashauri ya Majani Chai ya Kenya, uzalishaji wa majani chai wa Kenya wa mwaka2013 ulikadiriwa kufikia kilo milioni 415, unaowakilisha ongezeko la asilimia 12 kutoka uzalishaji wa kg. milioni 369 wa mwaka 2012.Viwango vilivyoongezeka vya uzalishaji haswa vilisababishwa na hali nzuri ya anga iliokuwepo katika maeneo muhimu ya uzalishaji majani chai.

Kuhusiana na mapato,ripoti ya Halmashauri ya Majani Chai ya Kenya ilionyesha kuwa biashara ya majani chai ilipata U.S.dola milioni 953 kutoka mahuruji ya mwezi wa Januari hadi Agosti, ongezeko la dola milioni 817 kwa kipindi kama hicho katika mwaka 2012.Halmashauri ilitaraji mapato ya mahuruji ya majani chai ya mwaka 2013 yatafikia dola bilioni 1.42, ongezeko la asilimia tisa kutoka dola bilioni 1.3 mwaka 2012.Ongezeko hili katika mapato linatarajiwa kuwa la chini kuliko ongezeko katika uzalishaji kutokana na kupungua kwa bei kwa kilo.

Kwa jumla masoko makuu ya mahuruji ya majani chai ya Kenya hayajabadilika na hujumuisha Pakistan,Misri,Uingereza,Afghanistan na Sudan.Nchi hizi tano kwa pamoja hununua asilimia 71 ya mahuruji yote.Halmashauri ya Majani Chai ya Kenya inasukuma kupanua masoko ya mahuruji kuongeza mahuruji kwa masoko mengine kama Urusi, Ukraine, Kazakhstan, Amerika na pia Canada.

Bei za majani chai ya Kenya zilipata shinikizo la kupungua mwanzoni mwa mwaka 2013 kutokana na kuongezeka kwa uzalishaji pamoja na wanunuzi kuhodhi kukaribia Uchaguzi wa mwezi Machi 2013.Pia bei katika minada mikuu ya majani chai ya kilimwengu zimekuwa chini katika mwaka 2013 ikilinganishwa na mwaka 2012.Kufikia mwezi Agosti 2013, bei ya majani chai ya Kenya kwa dola za kimarekani imepungua kwa asilimia 15 hali ya India ilianguka kwa asilimia saba.

Kuhusiana na utumizi wa majani chai nchini, Halmashauri ya Majani Chai ilionyesha kuwa utumizi wa majani chai wa nchini ulikuwa kg.milioni 15.7 kwa miezi minane ya mwanzo ya mwaka 2013 ikilinganishwa na kg. milioni 12.3 katika kipindi kama hicho mwaka 2012.Hili linaakisi kupanda kwa asilimia 27 hasa ikitokana na kuongezeka kwa utangazaji wa utumizi wa majani chai nchini Kenya.

Mielekeo ya Kahawa Kilimwengu

Mwaka 2013 umekuwa mwaka mgumu kwa biashara ya kahawa ya kilimwengu.Data ya karibuni kutoka kwa Shirika la Kimataifa la Kahawa zinaonyesha bei zilizopungua kimataifa zimesukuma chini kiashirio chenye

sehemu mbali mbali cha Shirika la Kimataifa la Kahawa- kinachofuatilia bei za kahawa-kwa asilimia 7.4, kiwango cha chini kabisa kutokea mwezi Septemba 2009.

Wazalishaji wa kahawa katika eneo la Afrika Mashariki pia wameonyesha kuwa hali mbaya za anga zinaweza kubadilisha kwa kiasi kikubwa mafanikio ya sekta ya kilimo inayoandika zaidi ya asilimia 60 ya wafanyikazi wa eneo.East Africa Fine Coffee Association (EAFCA) imeonyesha kuwa katika mielekeo ya bei za sasa, kuna motisha inayopungua kwa wakulima kuekeza katika mazao yao, na utumizi wa pembejeo kama vile mbolea na nguvukazi unawezekana kupungua .

Mielekeo ya Kahawa ya Kitaifa

Kenya imejiimarisha kwa muda kama mtoaji muhimu wa kahawa ya ubora wa hali ya juu.Tukiangalia mielekeo iliopita, nchi ilitoa kahawa ya thamani ya US $ milioni 224 katika mwaka 2011.Ijapokuwa , uzalishaji wa kahawa wa nchi umekuwa katika mwelekeo wa kupungua wa kutia wasiwasi. Uzalishaji umeteremka kuwa tani metriki (tm) 43,096 katika mwaka 2010, tm 36,629 katika mwaka 2011 lakini uliongezeka kuwa tm 49,003 katika mwaka 2012. Katika mwaka 2013, ulitarajiwa kuwa tm 40,000.Bei za wastani katika Soko la Ubadilishaji wa Kahawa la Nairobi zimeteremka katika wakati wa karibuni. Katika mwaka 2011, bei ya wastani kwa kilo ilikuwa US$ 6.73 na hii ilipungua kwa asilimia 32 katika mwaka 2012 kuwa US$ 4.57. Katika mwaka 2013 bei ya wastani iliteremka kuwa ya chini ya US$ 2.73 katika mwezi wa Mei mwaka 2013 kutoka US$ 3.96 kwa kilo katika mwezi wa Januari mwaka 2013 .

Kupungua huku kwa bei kuna athari hasi kwenye wingi na ubora wa uzalishaji na Serikali ingefaa kufikiria kuanzisha hazina ya utengemano wa kahawa kupunguza hatari ya kufungwa kabisa kwa biashara ya kahawa pamoja na faida zote za ajira na mapato ya ubadilishaji fedha za kigeni yanayotokana na biashara hii muhimu.

Matokeo ya Kifedha ya Kundi

Mtazamo

Mwaka 2012/13 umeshuhudia ongezeko katika faida ya jumla ya Kundi la Sasini ikihusishwa na mwaka uliopita. Matokeo kutoka kuendesha shughuli yaliongezeka kuwa Kshs. milioni 144.73 kutoka hasara ya Kshs. milioni 95.40 katika mwaka uliotangulia.

Kwa kiasi kikubwa ongezeko katika faida limetokana na uzalishaji zaidi na wingi wa mauzo ya zote majani chai na kahawa katika mwaka ikilinganishwa na mwaka uliotangulia.Mkondo wa mvua ulioongezeka katika mwaka pia ulichangia katika uzalishaji ulioongezeka.

Ijapokuwa matokeo, yaliathiriwa kihasi na bei zilizopungua za kahawa na majani chai katika soko la kilimwengu na athari za shilingi ya Kenya inayoimarika.Faida zimepunguzwa zaidi na gharama za uzalishaji zilizoongezeka kuhusiana na nguvukazi, nishati na pembejeo za kilimo.Ijapokuwa kampuni imeendelea kutekeleza hatua za ufanisi katika shughuli zake.

Baada ya hasara kutoka kwa mabadiliko katika thamani ya kadiri ya rasilimali za kibiolojia, faida za mwaka kwa wenye mali ni Kshs. milioni 84.63 ikilinganishwa na hasara ya mwaka uliotangulia ya Kshs. milioni 67.79.

Uzalishaji wa Majani Chai

Katika mwaka , viwanda vyetu vilizalisha tani 11,061 za majani chai yaliyotengenezwa ikilinganishwa na tani 8,826 katika mwaka uliopita.Bei ya wastani iliyopatikana ya majani chai ilikuwa USD 2.20 kwa kilo ikilinganishwa na USD 2.30 kwa kilo katika Mwaka wa Kifedha uliopita.Kulikuwa na upungufu wa polepole katika bei za majani chai katika robo ya mwisho ya mwaka wa kifedha ambao uliathiri vibaya matokeo yetu.

Uzalishaji wa Kahawa

Mashamba yetu katika mwaka yalizalisha tani 1,201 za kahawa ikilinganishwa na tani 980 katika mwaka uliotangulia. Ongezeko hili la asilimia 22.55 limesababishwa na hali nzuri zaidi za ukuzaji wa kahawa na uimarikaji wa ukulima wa mimea. Bei ya wastani iliyopatikana ya kahawa ilikuwa USD 3.92 kwa kilo ikilinganishwa na USD 4.71 kwa kilo katika Mwaka wa Kifedha uliotangulia.Upungufu unaoendelea wa bei za kahawa za ulimwengu unasababisha wasiwasi miongoni mwa wazalishaji wa kahawa na imependekezwa kuwa hazina ya utengemano ianzishwe kuwasaidia wakulima.

Wajibu wa Kijamii

Kama sehemu ya mradi wetu wa udhibiti wa mazingira, timu ya Sasini ilipanda miti ya kiasili katika Shule ya Msingi ya Ndumberi, Kiambu na pia Shule ya Msingi ya St. Joseph, Ting'ang'a. Uzuri wa mandhari ya mazingira huwa na wajibu muhimu katika kuendeleza mazingira ya usomaji yanayofaa na ni kwa kuwa na fikra hii ndiyo Sasini imefanya kuwa mazoea kufyeka viwanja vya kuchezea vya shule ya msingi ya St. Joseph ,Ting'ang'a.

Siku ya wakulima ya kila mwaka iliendeshwa tarehe 6 Desemba 2013 kama kilele cha huduma za nje ambapo wakulima hupata nafasi kutembelea kiwanda kinachosaga kahawa yao; pia wanapata kuzungumza moja kwa moja na mameneja kuhusu ukulima wa mimea na huduma nyingine za kuongeza thamani zinazoleta mazao bora zaidi katika msimu wa upandaji.

Kusaidia elimu ya mtoto msichana na kuhakikisha kuendelea kuhudhuria madarasa, timu ilitoa visodo kwa wasichana katika madarasa 6-8 wa Shule ya Msingi ya Ndumberi. Pamoja na hivyo,timu pia ilichangia seti za jiometri kwa wanafunzi wa darasa la nane na pia miswaki na dawa za miswaki kwa wanafunzi.

Kama sehemu ya miradi yake ya elimu, Sasini ilimsaidia mwanafunzi fukara aliyeibuka wa mwanzo kabisa katika mashamba kupata karo ya shule ili kupata nafasi katika shule ya sekondari.

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

Maendeleo Katika Miradi ya Kimkakati

Kama nilivyotaja katika taarifa ya mwaka jana , kampuni ilianza miradi ya kuendeleza utendaji, hii bado inaendelea. Uchunguzi wa kubainisha viwango vya virutubishi katika mashamba yetu ya kahawa unaolenga kuongeza hadi upeo kiwango cha uzalishaji unaendelea.Mipango ya kun'goa na kupanda upya katika mashamba yetu ya majani chai inayolenga kuongeza uzalishaji kwa hekta katika mashamba bado pia inaendelea. Uboreshaji wa mashine za viwanda vya majani chai unaolenga kuzidisha ufanisi wa kiwanda na ubora wa majani chai bado pia unaendelea. Inatarajiwa kuwa muda miradi hii yote ikikamilika itaimarisha matarajio ya faida iliyoongezeka katika siku za usoni.

Kampuni ilisheherekea upataji wa hati ya ISO 22000/2005 katika shughuli za kahawa.Hili pamoja na mafanikio mengine yatapanua ufikiaji wetu wa soko.

Shukrani

Ningependa kutoa shukrani zangu kwa Usimamizi wa Sasini na wafanyikazi kwa kujitolea kwao kwa Kampuni.Pia ningependa kuwashukuru wenzangu katika Halmashauri ya Sasini kwa usaidizi wao unaoendelea usiotetereka. Pia utajo maalum ni wa Dkt. Caesar Mwangi kwa mchango wake wa thamani sana kwa kampuni hii. Dkt. Mwangi alichagua kuondoka kwenye kampuni tarehe 31 Desemba 2013 kufuatilia shauku nyingine baada ya miaka mitano ya kuiongoza kampuni kufikia vilele vipya. Kama Halmashauri, tunamkaribisha mrithi wake, Bw. Moses K. Changwony katika Halmashauri na shirika la Sasini. Bw. Changwony anailetea kampuni tajriba nyingi ya teknolojia ya kilimo na mkakati wa uekezaji.

Mwishowe, kwa niaba ya Halmashauri, ningependa kuwashukuru nyinyi, wanahisa wetu 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

James Boyd McFie

Mwenyekiti

[7]Ripoti ya Hali ya Kiuchumi na Matarajio iliyotolewa na UNCTAD mwezi Desemba 2013.

[8]Benki Kuu ya Kenya

[9]Ripoti ya Taarifa ya Uchumi wa Kenya ya Benki ya Ulimwengu

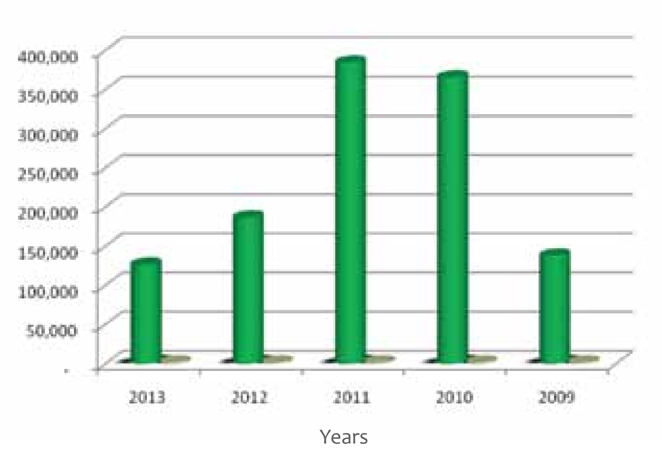
[10]Taarifa ya Halmashauri ya Kenya mwezi Agosti

[11]Taarifa ya EAFCA

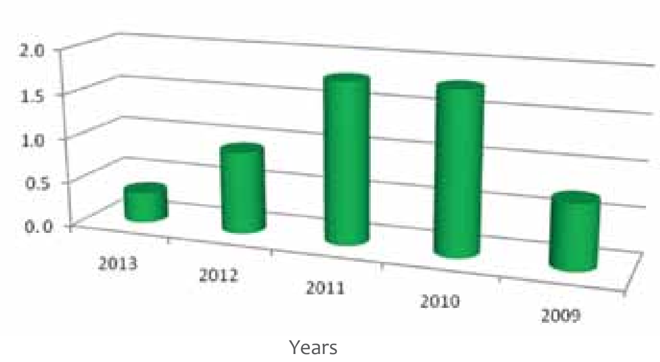
[12]Soko la Ubadilishaji Kahawa la Nairobi

Graphical Highlights

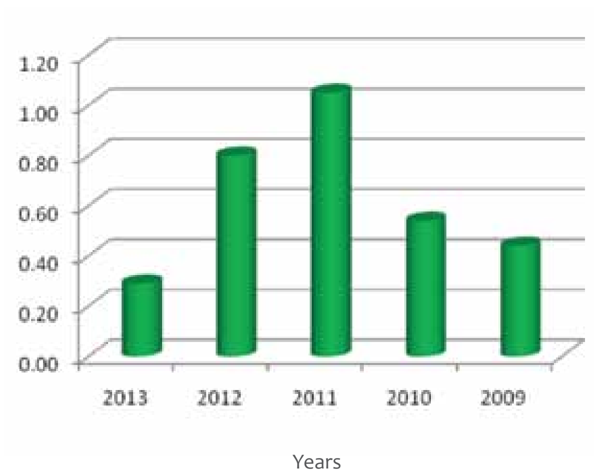
Profit/(Loss) arising from operating activities (Kshs '000)



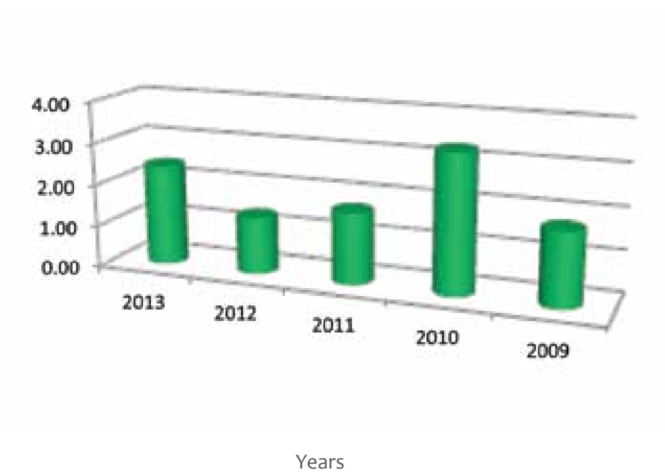
Earnings/(loss) per share on operating activities (Kshs '000)



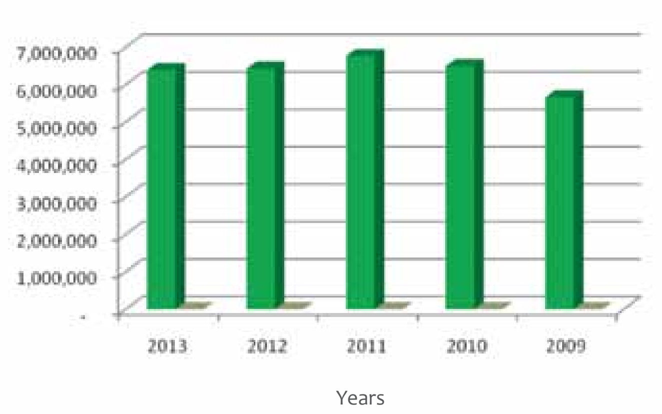
Dividend Per share (Kshs '000)



Dividend Cover (Times Cover)(Kshs '000)



Shareholders Funds (Kshs '000)



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 2013, 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, processing and sale of tea and coffee, commercial milling and marketing of coffee, value addition of related products, forestry, dairy operations and livestock.

2. Results

The results of the Group and Company for the year are set out on pages 30 and 31, respectively.

3. Dividends

An interim dividend of Kshs. 0.25 per share (2012- Kshs 0.50) was declared and paid on 26th July 2013. The directors do not recommend the payment of a final dividend (2012- Kshs 0.25). Total dividend for the year was KShs 0.25 per share (2012 – KShs 0.75).

4. Equity and reserves

The authorized issued share capital of the Company at 30 September 2013 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 34 to 37.

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 2, 4 and 5.

In accordance with the regulation 94 of the articles of Association, Mr. S. N. Merali and Mr. M. J. Ernest retire by rotation, and being eligible, offer themselves for re-election.

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 %	
	2013	2012
Legend Investments Limited	41.84	41.84
Yana Towers Limited	12.60	12.13
East Africa Batteries Limited	9.88	9.37
Gulamali Ismail	6.85	6.19
	71.17	69.53

8. Directors' interests

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

	2013	2012
Name of Director	No. of shares	No. of shares
Mr. A. H. Butt	30,300	30,300
Dr. M. J. C. Mwangi	40,600	40,600
Mr. S. N. Merali	45,900	45,900

9. Auditors

The auditors, KPMG Kenya, 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 10 December 2013.

By Order of the Board

Mrs. Mary R. Ekaya
Company Secretary

10 December 2013

Ripoti ya Wakurugenzi

Wakurugenzi wanafuraha kuwakilisha ripoti yao pamoja na taarifa za hesabu zilizounganishwa na za kando zilizokaguliwa za mwaka ulioishia tarehe 30 Septemba 2013 zinazoonyesha hali ilivyo ya Kundi na Kampuni.

1. Shughuli

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

2. Matokeo

Matokeo ya mwaka ya Kundi na Kampuni yameonyeshwa kwenye ukurasa 30 na 31, mtawalia.

3. Mgao

Mgao wa muda wa Ksh.0.25 kwa hisa (Kshs. 0.5-mwaka 2012) ilitangazwa na kulipwa tarehe 26 Julai 2013.Wakurugenzi hawapendekezi ulipaji wa mgao wa mwisho (Kshs. 0.25 -mwaka 2012).Gawio la mwaka lilikuwa Ksh.0.25 kwa kila hisa (Ksh. 0.75-mwaka 2012)

4. Rasilimali ya hisa na akiba

Rasilimali ya hisa za Kampuni zilizoidhinishwa na kutolewa kufikia tarehe 30 Septemba 2013 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 za 34 hadi 37.

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 kurasa za 2, 4 na 5.

Kulingana na Sheria ya 94 ya Kanuni za Kampuni, Bw. S.N. Merali na Bw. M.J. Ernest wanajiuzulu kwa zamu, na kwa kuwa wanastahiki, wanajitolea tena kuchaguliwa.

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 %	
	2013	**2012**
Legend Investment Limited	41.84	41.84
Yana Towers Limited	12.60	12.13
East African Batteries Limited	9.88	9.37
Gulamali Ismail	6.85	6.19
	71.17	**69.53**

8. Ushirika wa wakurugenzi

Ushirika wa wakurugenzi katika hisa za Kampuni ni kama ufuatao:

	2013	2012
Jina la Mkurugenzi	**Idadi ya hisa**	**Idadi ya hisa**
Bw. A. H. Butt	30,300	30,300
Dkt. M. J. C. Mwangi	40,600	40,600
Bw. S. N. Merali	45,900	45,900

9. Wakaguzi

Wakaguzi, KPMG Kenya, wataendelea na wadhifa huo kwa kufuatana na sehemu 159(2) ya Sheria za Makampuni za Kenya.

10. Kuidhinishwa kwa taarifa za kifedha

Taarifa za kifedha ziliidhinishwa katika mkutano wa wakurugenzi uliofanywa tarehe 10 mwezi wa Desemba 2013.

Kwa Amri ya Halmashauri
Bi. Mary R. Ekaya

Katibu wa Kampuni

Tarehe 10 Desemba 2013

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 shareholders 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 seven 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 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 upholding 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 legal and regulatory requirements.
- 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 Group operations. This financial year, a total of four (4) Board Meetings were held.

During their meetings the Board reviews the Group performance against the planned strategies and also approve 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 the Audit Committee, and the Remuneration and Nominations Committee.

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 attends. 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 met four times during the year.

The Committee is made up of the following Directors:

(a) Mrs. L. W. Waithaka
(b) Mr. M. J. Ernest
(c) Mr. S. N. Merali

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 independent 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 met four times in the year.

The Committee is made up of the following Directors:

(a) Dr. J. B. McFie
(b) Mr. A. H. Butt
(c) Dr. S. O. Mainda

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 2013 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 in the press of its half-yearly and annual financial results. 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.

The Group responds to numerous letters 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 who are 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 seeks 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 where 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 conflicts 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 quarter the 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.

Corporate Governance *(Continued)*

Board/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 2013:

Number of meetings held	Meetings attended		
	Main Board	Audit Committee	Remuneration and Nomination Committee
Dr. J. B. McFie	4	N/A	3
Dr M. J. C Mwangi	4	N/A	N/A
N. N. Merali	3	N/A	N/A
I. A. Timamy*	1	N/A	N/A
A. H. Butt	4	N/A	4
S. N. Merali	3	1	N/A
M. J. Ernest	4	4	N/A
Mrs. L. W. Waithaka	4	4	N/A
Dr. S. O. Mainda	4	N/A	3

*Resigned as a board member on 11 December 2012

Top ten shareholders at 30 September 2013

The ten largest shareholders of the Company as at 30 September 2013 were as follows:

No.	Name of shareholder	No. of shares	% Shareholding
1	Legend Investments Limited	95,417,345	41.84
2	Yana Towers Limited	28,725,240	12.60
3	East Africa Batteries Ltd	22,527,400	9.88
4	Gulamali Ismail	15,630,900	6.85
5	Karim Jamal	7,220,741	3.17
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	536,037	2,670	0.24
500 - 5,000	5,803,612	3,733	2.54
5,001 - 10,000	2,928,461	396	1.28
10,001 – 100,000	13,312,795	461	5.84
100,001-1,000,000	20,775,239	74	9.11
Above 1,000,000	184,699,356	12	80.99
Total	228,055,500	7,346	100.00

Dr. J. B. McFie
Chairman

M. J. Ernest
Director

Date:
10 December 2013

Corporate Social Investment

Environmental Conservation

As part of our environmental conservation initiative the Sasini team planted indigenous trees at Ndumberi Primary School, Kiambu as well as at St. Joseph Primary School, Ting'ang'a.

The scenic beauty of the environment plays a key role in promoting a conducive learning environment and it is with this thought that Sasini has made it a routine to mow the playing grounds for St. Joseph Primary School, Ting'ang'a.

Training and Development

Annual Farmers' Day at Coffee Mill Grounds.

The annual farmers' day was conducted on the 06th December 2013 as a culmination of the extension services where the farmers get the opportunity to visit the facility that mills their coffees; they also have one on one interaction with the managers on plant husbandry and other value added services which lead to better produce during the farming season. In addition, the tea division offered industrial training attachment to ten students during the year.

Community Donations

In support of the girl child education and to ensure continuous attendance of classes the team donated sanitary towels to girls in classes 6-8 at Ndumberi Primary School, Kiambu. In addition, the team also donated geometric sets to class eight pupils as well as tooth brushes and tooth pastes to all the pupils of the said school.

Education and Training

The Company presented a donation of books during the book donation day function at Mwongori High School in Sotik. Sasini also provided bursary to a student who emerged top in the KCPE within its Kiambu coffee estates in order to secure a place in a secondary school.

In addition the company funded the construction of a double classroom at Nyamiranga Secondary School in Nyamira County.

Dr. Mainda flanked by senior managers of Kipkebe Ltd at a function at Nyamiranga School.

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 30 to 78 which comprise the statements of financial positions of the group and of the company as at 30 September 2013, 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 subsidiaries 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 subsidiaries 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 10 December 2013 and were signed on its behalf by:

Dr. J. B. McFie
Chairman

M. J. Ernest
Director

KPMG

KPMG Kenya
Certified Public Accountants
8th Floor, ABC Towers
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REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF SASINI LIMITED AND SUBSIDIARIES

Report on the financial statements

We have audited the consolidated and separate financial statements of Sasini Limited set out on pages 30 to 78 which comprise the statements of financial position of the group and the company as at 30 September 2013, and the group and the company statement of comprehensive income, group and the company statement of changes in equity and group and the 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 28, 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 about 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 consolidated and separate financial position of Sasini Limited at 30 September 2013, and the consolidated and separate financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and and in the manner required by 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: 10 December 2013

Consolidated Statement of Comprehensive Income
for the year ended 30 September 2013

	Note	2013 KShs'000	2012 KShs'000
Revenue	8	2,816,834	2,820,737
Cost of sales	9	(2,043,694)	(1,910,377)
Gross profit		**773,140**	**910,360**
Losses arising from changes in fair value of biological assets less cost to sell	20(a)	(31,518)	(420,986)
Other income	10	119,728	89,114
Total operating income		**861,350**	**578,488**
Administration and establishment expenses	11	(692,873	(650,886)
Selling and distribution costs	12	(23,747)	(23,004)
Results from operating activities		**144,730**	**(95,402)**
Finance income	13(a)	20,308	37,357
Finance costs	13(b)	(6,631)	(27,180)
Net finance income	13	**13,677**	**10,177**
Profit/(loss) before tax	14	**158,407**	**(85,225)**
Tax expense	15(a)	(66,718)	(38,888)
Profit/(loss) for the year		**91,689**	**(124,113)**
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Reversal of revaluation gain net of tax		(38,074)	-
Total comprehensive income/(loss)		**53,615**	**(124,113)**
Profit/(loss) attributable to:			
Owners of the parent		122,704	(67,793)
Non-controlling interest		(31,015)	(56,320)
		91,689	**(124,113)**
Total comprehensive income /(loss) attributable to:			
Owners of the company		84,630	(67,793)
Non-controlling interest		(31,015)	(56,320)
		53,615	**(124,113)**
Profit/ (loss) attributable to the owners of company is made up as follows:			
Profit arising from operating activities		126,832	186,857
Losses arising from changes in fair value of biological assets after tax		(4,128)	(254,650)
		122,704	**(67,793)**
Earnings/(loss) per share:			
Basic and diluted (KShs)	16	**0.54**	**(0.30)**
Dividend per share (KShs)	17	**0.25**	**0.75**

The notes set out on pages 40 to 78 form an integral part of the financial statements.

Company Statement of Comprehensive Income
for the year ended 30 September 2013

	Note	2013 KShs'000	2012 KShs'000
Revenue	8	478,897	859,636
Cost of Sales	9	(370,756)	(597,846)
Gross profit		**108,141**	**261,790**
Gains/(losses) arising from changes in fair value of biological assets less cost to sell	20(b)	96,017	(357,029)
Other income	10	183,271	326,773
Total operating income		**387,429**	**231,534**
Administration and establishment expenses	11	(287,102)	(288,918)
Results from operating activities		**100,327**	**(57,384)**
Finance income	13(a)	18,757	34,856
Finance costs	13(b)	(5,330)	(7,814)
Net finance income	13	**13,427**	**27,042**
Profit/(loss) before tax	14	**113,754**	**(30,342)**
Tax (credit)/expense	15(a)	(39,792)	31,193
Profit for the year		**73,962**	**851**
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Reversal of revaluation gain-net of tax		(36,856)	-
Total comprehensive income		**37,106**	**851**
Profit is made up as follows:			
Profit arising from operating activities		6,750	250,772
Gains/(losses) arising from changes in fair value of biological assets after tax		67,212	(249,921)
		73,962	**851**
Earnings per share:			
Basic and diluted (KShs)	16	**0.32**	**0.004**
Dividend per share (KShs)	17	**0.25**	**0.75**

The notes set out on pages 40 to 78 form an integral part of the financial statements.

Consolidated Statement of Financial Position
as at 30 September 2013

Assets	Note	2013 KShs'000	2012 KShs'000
Non-Current Assets			
Property, plant and equipment	18(a)	2,343,387	2,411,972
Capital work-in-progress	18(c)	39,934	37,877
Intangible assets	19	11,686	19,887
Biological assets	20(a)	5,290,774	5,322,292
Prepaid leases on leasehold land	21	20,316	20,556
Available-for-sale financial asset	22	525	525
Deferred tax asset	30	52,699	-
		7,759,321	7,813,109
Current Assets			
Inventories	24	370,264	430,589
Trade and other receivables	25	518,334	409,383
Amounts due from related companies	26	1,092	1,418
Tax recoverable	15(b)	129,991	-
Cash and cash equivalents	27	275,364	268,481
		1,295,043	1,109,871
Total Assets		**9,054,366**	**8,922,980**
Equity and Liabilities			
Capital and Reserves (Pages 34 & 35)			
Share capital	28	228,055	228,055
Non-distributable reserves	29	4,745,816	4,825,793
Distributable reserves	29	1,309,162	1,239,823
		6,283,033	6,293,671
Non-controlling interest	29	99,878	133,131
Total equity		6,382,911	6,426,802
Non-Current Liabilities			
Deferred tax liability	30	1,678,365	1,673,591
Post employment benefits	32	261,841	236,959
		1,940,206	1,910,550
Current Liabilities			
Bank loans	31	175,491	55,703
Post employment benefits	32	19,070	10,246
Trade and other payables	33	536,688	460,177
Tax payable	15(b)	-	59,502
		731,249	585,628
Total Equity and Liabilities		**9,054,366**	**8,922,980**

The financial statements set out on pages 30 to 78 were approved by the Board of Directors on 10 December 2013 and signed on its behalf by:

Dr. J.B. McFie
Chairman

M.J. Ernest
Director

The notes set out on pages 40 to 78 form an integral part of the financial statements.

Company Statement of Financial Position
as at 30 September 2013

Assets	Note	2013 KShs'000	2012 KShs'000
Non-Current Assets			
Property, plant and equipment	18(b)	1,430,257	1,522,059
Intangible assets	19	3,565	7,109
Biological assets	20(b)	1,563,222	1,467,205
Prepaid leases on leasehold land	21	7,886	8,016
Investment in subsidiary companies	23	172,697	172,697
		3,177,627	3,177,086
Current Assets			
Inventories	24	49,120	116,520
Trade and other receivables	25	234,541	183,392
Amounts due from related companies	26	222,697	162,839
Tax recoverable	15(b)	48,873	-
Cash and cash equivalents	27	203,695	65,282
		758,926	528,033
Total Assets		**3,936,553**	**3,705,119**
Equity and Liabilities			
Capital and Reserves (Pages 36 & 37)			
Share capital	28	228,055	228,055
Non-distributable reserves	29	2,132,234	2,114,047
Distributable reserves	29	348,353	438,246
Total equity		2,708,642	2,780,348
Non-Current Liabilities			
Deferred tax liability	30	543,258	529,445
Post employment benefits	32	18,496	17,212
		561,754	546,657
Current Liabilities			
Bank loans	31	175,491	55,703
Post employment benefits	32	969	1,678
Amounts due to subsidiary companies	26	246,631	-
Trade and other payables	33	243,066	291,874
Tax payable	15(b)	-	28,859
		666,157	378,114
Total Equity and Liabilities		**3,936,553**	**3,705,119**

The financial statements set out on pages 30 to 78 were approved by the Board of Directors on 10 December 2013 and signed on its behalf by:

Dr. J.B. McFie
Chairman

M.J. Ernest
Director

The notes set out on pages 40 to 78 form an integral part of the financial statements.

Consolidated Statement of Changes in Equity

for the year ended 30 September 2013

2013:	Share capital KShs'000	Capital reserve KShs'000	Revaluation reserve KShs'000	Biological assets fair value reserve 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 2012	228,055	98,530	1,891,423	2,835,840	1,182,809	57,014	6,293,671	133,131	6,426,802
Total comprehensive income for the year									
Profit/(loss) for the year	-	-	-	-	122,704	-	122,704	(31,015)	91,689
Reversal of revaluation gain			(54,392)				(54,392)	-	(54,392)
Deferred tax on revaluation reversed	-	-	16,318	-	-	-	16,318	-	16,318
Appropriation of losses on biological assets	-	-	-	(4,128)	4,128	-	-	-	-
Excess depreciation on revaluation	-	-	(53,964)	-	53,964	-	-	-	-
Deferred tax on revaluation	-	-	16,189	-	-	-	16,189	333	16,522
Total comprehensive income for the year	**-**	**-**	**(75,849)**	**(4,128)**	**180,796**	**-**	**100,819**	**(30,682)**	**70,137**
Transactions with owners of the company recorded directly in equity									
Reclassification from non-controlling interest	-	-	-	-	2,571	-	2,571	(2,571)	-
Final 2012 dividend paid	-	-	-	-	-	(57,014)	(57,014)	-	(57,014)
Interim 2013 dividend paid	-	-	-	-	(57,014)	-	(57,014)	-	(57,014)
Total distribution to owners of the company	**-**	**-**	**-**	**-**	**(54,443)**	**(57,014)**	**(111,457)**	**(2,571)**	**(114,028)**
At 30 September 2013	**228,055**	**98,530**	**1,815,574**	**2,831,712**	**1,309,162**	**-**	**6,283,033**	**99,878**	**6,382,911**

The notes set out on pages 40 to 78 form an integral part of the financial statements.

Consolidated Statement of Changes in Equity

for the year ended 30 September 2013 *(Continued)*

2012:	Share capital KShs'000	Capital reserve KShs'000	Revaluation reserve KShs'000	Biological assets fair value reserve 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 fair value 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 40 to 78 form an integral part of the financial statements.

Company Statement of Changes in Equity
for the year ended 30 September 2013

2013:	Share capital KShs'000	Capital reserve KShs'000	Revaluation reserve KShs'000	Biological assets fair value reserve KShs'000	Retained earnings KShs'000	Proposed dividends KShs'000	Total equity KShs'000
At 1 October 2012	228,055	40,594	1,158,925	914,528	381,232	57,014	2,780,348
Total comprehensive income for the year							
Profit for the year	-	-	-	-	73,962	-	73,962
Reversal of revaluation gain (note 18(b))	-	-	(52,651)	-	-	-	(52,651)
Deferred tax on revaluation reversed	-	-	15,795	-	-	-	15,795
Appropriation of fair value losses on biological assets	-	-	-	67,213	(67,213)	-	-
Excess depreciation on revaluation	-	-	(17,386)	-	17,386	-	-
Deferred tax on revaluation	-	-	5,216	-	-	-	5,216
Total comprehensive income for the year	**-**	**-**	**(49,026)**	**67,213**	**24,135**	**-**	**42,322**
Transactions with owners of the company recorded directly in equity							
Final 2012 dividend paid	-	-	-	-	-	(57,014)	(57,014)
Interim 2013 dividend paid	-	-	-	-	(57,014)	-	(57,014)
Total distribution to owners of the company	-	-	-	-	**(57,014)**	**(57,014)**	**(114,028)**
At 30 September 2013	**228,055**	**40,594**	**1,109,899**	**981,741**	**348,353**	**-**	**2,708,642**

The notes set out on pages 40 to 78 form an integral part of the financial statements

Company Statement of Changes in Equity
for the year ended 30 September 2013 *(C o n t i n u e d)*

2012:	Share capital KShs'000	Capital reserve KShs'000	Revaluation reserve KShs'000	Biological assets fair value reserve 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 fair value 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 40 to 78 form an integral part of the financial statements.

Consolidated Statement of Cash Flows
for the year ended 30 September 2013

	Note	2013 KShs'000	2012 KShs'000
Cash flows from operating activities			
Cash flows generated from operations	34	459,957	445,567
Income taxes paid	15(b)	(271,296)	(115,909)
Net cash generated from operating activities		**188,661**	**329,658**
Cash flows from investing activities			
Purchase of property, plant, equipment	18(a)	(211,243)	(180,818)
Purchase of intangible assets	19	(1,210)	(761)
Capital work-in-progress		(2,057)	(16,232)
Interest income	13	1,639	28,973
Proceeds on sale of property, plant and equipment		22,307	6,610
Net cash used in investing activities		**(190,564)**	**(162,228)**
Cash flows from financing activities			
Interest paid	13	(4,651)	(7,814)
Proceeds from bank loan		175,491	-
Loan repayments		(55,703)	(132,816)
Dividends paid on ordinary shares		(114,028)	(228,056)
Net cash from/ (used in) financing activities		**1,109**	**(368,686)**
Net decrease in cash and cash equivalents		**(794)**	**(201, 256)**
Cash and cash equivalents at the beginning of the year		268,481	489,103
Net unrealised foreign exchange gain/ (loss)		7,677	(19,366)
Cash and cash equivalents at the end of the year	27	**275,364**	**268,481**

The notes set out on pages 40 to 78 form an integral part of the financial statements.

Company Statement of Cash Flows
for the year ended 30 September 2013

	Note	2013 KShs'000	2012 KShs'000
Cash flows from operating activities			
Cash flows generated from/ (used in) operations	34	219,812	(22,663)
Income taxes paid	15(b)	(82,700)	(5,783)
Net cash generated from/(used in) operating activities		**137,112**	**(28,446)**
Cash flows from investing activities			
Purchase of property, plant and equipment	18(a)	(26,581)	(20,707)
Interest income	13	7	23,318
Purchase of intangible assets	19	(148)	(579)
Proceeds on sale of property, plant and equipment		19,123	3,727
Net cash (used in)/ from investing activities		**(7,599)**	**5,759**
Cash flows from financing activities			
Interest paid		(4,618)	(7,814)
Proceeds from bank loan	13	175,491	-
Loan repayments		(55,703)	(132,816)
Dividend received from subsidiary		-	230,000
Dividend paid on ordinary shares		(114,028)	(228,056)
Net cash from/ (used in) financing activities		**1,142**	**(138,686)**
Net increase/ (decrease) in cash and cash equivalents		**130,655**	**(161,373)**
Cash and cash equivalents at the beginning of the year		65,282	224,765
Net unrealised foreign exchange gain		7,758	1,890
Cash and cash equivalents at the end of the year	27	**203,695**	**65,282**

The notes set out on pages 40 to 78 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 and livestock.

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 10 December 2013.

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 accordance with International Financial Reporting Standards (IFRS), and in a manner required by the Kenya Companies Act.

(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 presented 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 in 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 2013. 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; and
- Recognises any surplus or deficit in profit or loss.

(ii) Transactions eliminated on consolidation

Intra-group balances and transactions and any unrealised income and expenses 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 received or 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, the associated costs and possible return of goods can be estimated reliably and when there is no continuing management involvement and the amount of revenue can be measured reliably.

(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

Tax expense comprises current tax and movement in deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or in other comprehensive income.

(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, at 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.

3. Significant Accounting Policies *(continued)*

(d) Taxation (continued)

(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.

3. Significant Accounting Policies *(continued)*

(f) Financial Instruments (continued)

(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.

3. Significant Accounting Policies *(continued)*
***(f) Financial Instruments** (continued)*

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 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

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.

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.

Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position only when there is a legally enforceable right to offset the recognised amount and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(g) Property, plant & equipment and depreciation

Property, plant and equipment are measured at cost or revalued amounts less accumulated depreciation and any impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

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.

Notes to the Consolidated Financial Statements
for the year ended 30 September 2013 *(Continued)*

3. Significant Accounting Policies *(continued)*
(g) Property, plant & equipment and depreciation (continued)

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.

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. Cost to sell include all costs that would be necessary to sell the assets including transportation costs. 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) Share capital

Ordinary shares are classified as equity. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

(k) 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.

3. Significant Accounting Policies (continued)

(j) Leases (continued)

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.

(l) 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.

(m) 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 stocks.

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.

(n) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, biological 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.

The impairment loss is recognised in profit or loss.

(o) 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 employmnent 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.

Prepaid contribution is recognised as an asset, to the extent that a cash refund or a reduction in future payments is available.

3. Significant Accounting Policies (continued)

(o) Employee benefit (continued)

(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.

(p) 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 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. The unwinding of discount is recognised as finance cost.

(q) 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.

(r) 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.

(s) Finance income and finance costs

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.

(t) 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.

(u) 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.

(v) 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.

3. Significant Accounting Policies *(continued)*

(w) Comparatives

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

(x) New standards and interpretations not yet adopted

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group. The Group's and parent entity's assessment of the impact of these new standards and interpretations is set out below:

• 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.

• 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.

• 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.

3. Significant Accounting Policies *(continued)*

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 is 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(o) and Note 32.

(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.

4. Use of Estimates and Judgements (continued)
(b) Critical accounting judgements (continued)

(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.

The interest rate profile of the group's interest bearing financial instruments as at 30 September 2013 and 2012 together with the interest rates on that date was as follows:

5. Financial Risk Management Objectives and Policies (continued)
(a) Market risk (continued)
(i) Interest rate risk (continued)

The net interest (expense)/ income for the year was as follows:

	Group		Company	
	2013 KShs'000	2012 KShs'000	**2013 KShs'000**	2012 KShs'000
Interest income	1,639	28,973	7	23,318
Interest expense	(4,651)	(7,814)	(4,618)	(7,814)
Net interest (expense)/ income	**(3,012)**	**21,159**	**(4,611)**	**15,504**

The following table demonstrates the effect on the group and company's statement of comprehensive income of applying a sensitivity of 10% to the interest rate prevalent during the year, 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
2013	10.00%	(301)	(211)	(461)	(323)
	-10.00%	301	211	461	323
2012	10.00%	2,116	1,481	1,550	1,085
	-10.00%	(2,116)	(1,481)	(1,550)	(1,085)

(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:

	2013 KShs'000	2012 KShs'000
USD	86.54	85.19
GBP	139.76	138.74

5. Financial Risk Management Objectives and Policies (continued)
(a) Market risk (continued)
(ii) Currency risk (continued)

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:

2013:	USD	GBP	Total
Assets			
Trade and other receivables	182,691	-	182,691
Cash and cash equivalents	113,706	213	113,934
At 30 September 2013	**296,397**	**213**	**296,610**
Liabilities			
Trade and other payables	93,398	-	93,398
Borrowings	103,073	-	103,073
At 30 September 2013	**196,470**	**-**	196,470
Net balance sheet position - 2013	**99,927**	**213**	**100,140**

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

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**

Notes to the Consolidated Financial Statements
for the year ended 30 September 2013 (Continued)

5. Financial Risk Management Objectives and Policies (continued)
(a) Market risk (continued)
(ii) Currency risk (continued)

Company:

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

Assets	2013 USD	2012 USD
Trade and other receivables	95,653	87,617
Cash and cash equivalents	76,516	31,996
At 30 September 2013	**172,169**	**119,613**
Liabilities		
Trade and other payables	46,264	77,359
Borrowings	103,073	55,703
At 30 September 2013	**149,337**	**133,062**
Net balance sheet position - 2013	**22,832**	**(13,449)**

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
US $					
2013	10.00%	9,993	6,995	2,283	1,598
	-10.00%	(9,993)	(6,995)	(2,283)	(1,598)
2012	10.00%	22,302	15,612	(1,345)	(941)
	-10.00%	(22,302)	(15,612)	1,345	941
GBP					
2013	10.00%	21	15	-	-
	-10.00%	(21)	(15)	-	-
2012	10.00%	18	13	-	-
	-10.00%	(18)	(13)	-	-

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:

	2013 KShs	2012 KShs
Coffee	316	434
Tea	191	199

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	10.00%	39,578	27,719	29,038	20,327
2013	-10.00%	(39,578)	(27,719)	(29,038)	(20,327)
2012	-10.00%	(70,400)	(49,280)	(62,957)	(44,070)
	10.00%	70,400	49,280	62,957	44,070
Tea	-10.00%	209,824	146,877	-	-
2013	10.00%	(209,824)	(146,877)	-	-
2012	-10.00%	(174,230)	(121,961)	-	-
	10.00%	174,230	121,961	-	-

(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, 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.

Notes to the Consolidated Financial Statements
for the year ended 30 September 2013 *(Continued)*

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

2013:	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	428,544	65,855	37,953	-	536,688
Bank loan	17,179	51,536	106,776	-	175,491
Due to related companies	11,555	-	-	-	11,555
	457,281	**117,391**	**144,729**	**-**	**723,734**
2012:					
Trade and other payables	34,663	15,293	410,221	-	460,177
Bank loan	-	-	55,703	-	55,703
	34,663	**15,293**	**465,924**	**-**	**515,880**

Company

2013:	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	206,757	2,048	34,261	-	243,066
Bank loan	17,179	51,536	106,776	-	175,491
Due to related companies	246,631	-	-	-	246,631
	470,567	**53,584**	**141,037**	**-**	**665,188**
2012:					
Trade and other payables	22,550	7,299	262,025	-	291,874
Bank loan	-	-	55,703	-	55,703
	22,550	**7,299**	**317,728**	**-**	**347,577**

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

(f) 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.

(g) 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. Determination of Fair Values

A number of the Group's accounting policies and disclosures require the determination of fair values, for both financial and non-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

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

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.

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				
2013:				**Total fair**
Financial assets designated at fair value through profit and loss	**Level 1 KShs'000**	**Level 2 KShs'000**	**Level 3 KShs'000**	**value KShs'000**
Investment in unquoted shares	-	-	525	525
2012:				
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 2013:				
Revenue				
Sales to external customers	2,098,242	395,980	322,612	2,816,834
Other income	16,337	27,609	75,782	119,722
	2,114,579	423,589	398,394	2,936,562
Results				
Operating results on operating activities	260,811	(111,386)	26,823	176,248
Operating results on biological assets	43,270	(74,788)	-	(31,518)
Operating results before tax	**304,081**	**(186,174)**	**26,823**	**144,730**
Assets and liabilities				
Segment assets	**4,530,615**	**4,174,295**	**349,456**	**9,054,366**
Segment liabilities	**1,531, 784**	**816,362**	**323,309**	**2,671,455**
Other segment information				
Capital expenditure - tangible fixed assets	128,599	27,190	56,137	211,926
Depreciation and amortisation of leasehold land and of intangible assets	120,293	67,013	33,744	221,050
Average number of employees	3,925	1,402	280	5,607
30 September 2012:				
Revenue				
Sales to external customers	1,742,304	704,000	374,433	2,820,737
Other income	14,708	7,988	66,418	89,114
	1,757,012	711,988	440,851	2,909,851
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

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 and dairy 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

8. Revenue

	Group		Company	
	2013 KShs'000	2012 KShs'000	2013 KShs'000	2012 KShs'000
Tea	2,098,242	1,742,304	-	-
Coffee	395,980	704,000	290,380	629,566
Livestock	35,920	5,177	100	282
Dairy produce	3,694	24,760	1,587	2,679
Horticulture	3,090	15,811	-	-
Retail and coffee lounge	170,199	209,920	75,632	97,388
Coffee mill	65,598	80,059	62,649	86,573
Rent receivable	4,879	4,730	9,323	9,172
Marketing commission	39,232	33,976	39,226	33,976
	2,816,834	**2,820,737**	**478,897**	**859,636**

9. Cost Of Sales

	Group 2013	Group 2012	Company 2013	Company 2012
Stock movement	58,236	9,594	62,143	10,490
General charges	264,108	235,150	81,732	82,691
Estates maintenance	646,206	529,296	117,621	108,519
Production expenses	492,687	394,372	51,795	53,545
Green leaf purchases	384,162	264,024	-	-
Coffee house expenses	40,954	40,607	-	-
Coffee purchases and other charges	3,907	244,598	3,907	244,598
Livestock expenses	59,347	40,667	3,316	5,131
Horticulture expenses	3,418	18,345	-	-
Retail trading expenses	31,139	57,005	31,515	57,005
Coffee mill expenses	18,441	35,865	18,727	35,867
Transport & Insurance	41,089	40,854	-	-
	2,043,694	**1,910,377**	**370,756**	**597,846**

10. Other Income

	Group 2013	Group 2012	Company 2013	Company 2012
Net gain on disposal of property, plant and equipment	7,800	4,996	15,362	3,490
Management fees	-	-	84,321	27,300
Dividend received	-	-	-	230,000
Coffee mill sundry income	93,918	63,872	93,918	63,872
Other income/ (expense)	18,010	20,246	(10,330)	2,111
	119,728	**89,114**	**183,271**	**326,773**

Notes to the Consolidated Financial Statements
for the year ended 30 September 2013 (C o n t i n u e d)

11. Administration and Establishment Expenses

(a) Administration and establishment expenses	Group 2013 KShs'000	Group 2012 KShs'000	Company 2013 KShs'000	Company 2012 KShs'000
Staff costs (Note 11(b))	191,271	169,938	92,314	71,457
Insurance and medical costs	21,442	25,297	-	1,163
Depreciation of property, plant and equipment	210,929	170,022	61,971	62,237
Amortisation of intangible assets	9,411	10,631	3,692	3,927
Amortisation of leasehold land	240	241	130	125
Auditors' remuneration	5,042	4,178	1,608	1,340
Directors' emoluments	16,152	14,807	16,152	14,807
Legal and professional fees	13,364	7,555	2,860	2,958
Secretarial costs	4,682	3,000	1,682	-
Travelling and accommodation	6,775	3,807	2,604	2,450
Coffee house overheads	39,363	42,767	-	-
Office expenses	47,495	27,375	33,543	25,253
Administration costs	109,802	153,509	56,359	96,401
Bank charges	8,381	2,742	6,869	1,373
Other expenses	8,524	15,017	7,318	5,427
	692,873	**650,886**	**287,102**	**288,918**

(b) Staff costs

	Group 2013	Group 2012	Company 2013	Company 2012
Salaries and wages	179,504	150,982	86,769	60,609
Staff leave accruals	(1,228)	5,036	(600)	3,040
Pension costs	12,369	13,295	5,919	7,578
National Social Security Fund	626	625	226	230
	191,271	**169,938**	**92,314**	**71,457**

12. Selling and Distribution Expenses

	Group 2013	Group 2012	Company 2013	Company 2012
Warehousing and storage charges	**23,747**	**23,004**	**-**	**-**

13. Net Finance Income

	Group 2013	Group 2012	Company 2013	Company 2012
(a) **Finance income**				
Interest income	1,639	28,973	7	23,318
Realised foreign exchange gain	10,522	8,384	10,522	9,648
Unrealised foreign exchange gain	8,147	-	8,228	1,890
	20,308	37,357	18,757	34,856
(b) **Finance cost**				
Interest expense	(4,651)	(7,814)	(4,618)	(7,814)
Unrealised foreign exchange loss	(470)	(19,366)	(470)	-
Realised foreign exchange cost	(1,510)	-	(242)	-
	(6,631)	(27,180)	(5,330)	(7,814)
Net finance income	**13,677**	**10,177**	**13,427**	**27,042**

14. (Loss)/ Profit Before Taxation

	Group		Company	
	2013 KShs'000	2012 KShs'000	2013 KShs'000	2012 KShs'000
The profit/ (loss) before taxation is arrived at after charging/ (crediting):				
Depreciation	210,929	170,023	61,971	62,237
Amortisation of intangible assets	9,411	10,632	3,692	3,927
Amortisation of leasehold land	240	241	130	125
Directors' emoluments:				
- Fees	4,613	4,171	4,613	4,171
- Other remuneration	11,539	10,636	11,539	10,636
Pension scheme contributions	12,369	13,295	5,919	7,578
Auditors' remuneration	5,042	4,178	1,608	1,340
Interest expense	4,651	7,814	4,618	7,814
Unrealised exchange losses	470	19,366	470	-
Realised foreign exchange losses	1,510	-	242	-
Interest income	(1,639)	(28,973)	(7)	(23,318)
Realised foreign exchange gain	(10,522)	(8,384)	(10,522)	(9,648)
Unrealised foreign exchange gain	(8,147)	-	(8,228)	(1,890)
Net gain on disposal of property, plant and equipment	(7,800)	(4,996)	(15,362)	(3,490)

15. Tax Expense

	Group		Company	
(a) Statement of comprehensive income	2013 KShs'000	2012 KShs'000	2013 KShs'000	2012 KShs'000
Current tax expense				
Income tax on the taxable profit for the year at 30%	81,803	201,173	4,968	57,548
Prior year over/(under) provisions	-	(5,593)	-	4,767
Total current tax	81,803	195,580	4,968	62,315
Deferred tax (credit)/expense				
Deferred tax (credit)/expense arising from operating activities	(10,561)	(71,013)	1,521	(14,156)
Deferred tax expense/(credit) on biological assets fair value	(9,455)	(126,295)	28,806	(107,109)
Prior year under provision	4,931	40,616	4,497	27,757
Total deferred tax expense/(credit)	(15,085)	(156,692)	34,824	(93,508)
Taxation expense/(credit) for the year	66,718	38,888	39,792	(31,193)

15. Tax Expense *(continued)*

(a) Statement of comprehensive income (continued)

	Group		Company	
Reconciliation of tax expense/(credit):	2013 KShs'000	2012 KShs'000	2013 KShs'000	2012 KShs'000
Accounting (loss)/profit before taxation	**158,407**	**(85,225)**	**113,754**	**(30,342)**
Tax applicable rate at 30%	47,522	(25,568)	34,126	(9,103)
Tax effects of items not allowed for tax	(18,575)	12,634	(19,842)	(59,101)
Excess depreciation on revaluation	32,840	16,799	21,011	4,487
Prior year under provision:				
- Deferred tax	4,931	40,616	4,497	27,757
Prior year (over)/under provision:				
- Current tax	-	(5,593)	-	4,767
	66,718	**38,888**	**39,792**	**(31,193)**
(b) Statement of financial position				
Balance brought forward	59,502	(20,169)	28,859	(27,673)
Charge for the year	81,803	195,580	4,968	62,315
Paid during the year	(271,296)	(115,909)	(82,700)	(5,783)
Balance carried forward	**(129,991)**	**59,502**	**(48,873)**	**28,859**

(c) Dividend tax account

The Group and the Company have credit balances on the dividend tax accounts of KShs 886,357,184 (2012 - KShs 664,170,535) and KShs 387,468,376 (2012 - KShs 353,639,224), respectively, which include tax payments to 30 September 2013. 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	
	2013 KShs'000	2012 KShs'000	2013 KShs'000	2012 KShs'000
Earnings per share on normal operations	0.56	0.82	0.03	1.099
Earnings per share on biological assets	(0.02)	(1.12)	0.29	(1.095)
Net earnings per share (KShs)	**(0.54)**	**(0.30)**	**0.32**	**0.004**

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. An interim dividend of KShs 0.25 (2012 – KShs 0.50) was paid during the year. The board does not recommend the payment of a final dividend (2012 Kshs 0.25) This brings the total dividend for the year to KShs 0.25 (2012 – KShs 0.75) 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 with the percentage shareholding.

	Group		Company	
	2013 KShs'000	2012 KShs'000	**2013 KShs'000**	2012 KShs'000
Dividends per share (KShs)	**0.25**	**0.75**	**0.25**	**0.75**

18. Property, Plant and Equipment

(a) **Group**

30 September 2013:	**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:						
As at October 2012	1,048,987	1,064,181	597,022	180,889	146,363	3,037,442
Reversal of revaluation gain	-	(54,550)	189	(5)	(26)	(54,392)
Additions	-	73,350	119,511	9,709	8,673	211,243
Disposals	(3,513)	-	(14,001)	(2,907)	(48)	(20,469
At 30 September 2013	1,045,474	1,082,981	702,721	187,686	154,962	3,173,824
Depreciation						
As at October 2012	-	286,221	168,130	80,944	90,175	625,470
Charge for the year	-	97,064	62,923	19,832	31,110	210,929
Disposals	-	-	(3,511)	(2,427)	(24)	(5,962)
As at 30 September 2013	-	383,285	227,542	98,349	121,261	830,437
Carrying value:						
At 30September 2013	**1,045,474**	**699,696**	**475,179**	**89,337**	**33,701**	**2,343,387**

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

(a) **Group** *(continued)*

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**

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 89,607,295 (2012 – KShs 56,534,574) which are fully depreciated but still in use. The notional depreciation charge on these assets would have been KShs 27,642,440 (2012 – KShs 19,152,205).

There were no idle assets at 30 September 2013 and 2012. There was no property given as security as at 30 September 2013 and 2012.

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

(b) Company 30 September 2013:	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:						
As at October 2012	885,095	538,829	184,011	74,841	40,700	1,723,476
Reversal of revaluation gain	-	(52,809)	189	(5)	(26)	(52,651)
Additions	-	5,065	10,838	6,298	4,380	26,581
Disposals	(3,513)	-	-	(1,733)	-	(5,246)
At 30 September 2013	881,582	491,085	195,038	79,401	45,054	1,692,160
Depreciation:						
At start of the year	-	85,470	58,321	36,024	21,602	201,417
Charge for the year	-	29,457	14,084	13,546	4,884	61,971
Disposals	-	-	-	(1,485)	-	(1,485)
At 30 September 2013	-	114,927	72,405	48,085	26,568	261,903
Carrying value:						
At 30 September 2013	**881,582**	**376,158**	**122,633**	**31,316**	**18,568**	**1,430,257**

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**

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 22,894,475 (2012 – KShs 21,148,175) which are fully depreciated but still in use. The notional depreciation charge on these assets would have been KShs 6,811,293 (2012 – KShs 6,229,193).

There were no idle assets at 30 September 2013 and 2012.

There was no property given as security as at 30 September 2013 and 2012.

(c) Capital work-in-progress

	Group		Company	
	2013 KShs'000	2012 KShs'000	**2013 KShs'000**	2012 KShs'000
Balance brought forward	37,877	21,645	-	-
Additions	39,934	37,877	-	-
Transfer to property, plant and equipment	(37,877)	(21,645)	-	-
	39,934	**37,877**	**-**	**-**

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

19. Intangible Assets

	Group		Company	
	2013 KShs'000	2012 KShs'000	**2013 KShs'000**	2012 KShs'000
Cost				
At 1 October	59,054	58,293	18,008	17,429
Additions	1,210	761	148	579
At 30 September	60,264	59,054	**18,156**	**18,008**
Amortisation				
At 1 October	39,167	28,535	10,899	6,972
Charge for the year	9,411	10,632	3,692	3,927
At 30 September	48,578	39,167	14,591	10,899
Carrying value				
At 30 September	**11,686**	**19,887**	**3,565**	**7,109**

Intangible assets relate to software costs.

20. Biological Assets

(a) Group

30 September 2013:	Coffee trees KShs'000	Tea bushes KShs'000	Other trees KShs'000	Livestock KShs'000	Total KShs'000
Carrying value as at 1 October 2012	**1,957,531**	**2,951,436**	**404,370**	**8,955**	**5,322,292**
Gains due to biological transformation at fair value	84,686	372,973	27,240	653	485,552
Decreases due to harvest at fair value	(170,297)	(359,004)	(16,315)	-	(545,616)
Changes in immature trees/bushes	3,953	24,336	257	-	(28,546)
	(81,658)	38,305	11,182	653	(31,518)
Carrying value as at 30 September 2013	**1,875,873**	**2,989,741**	**415,552**	**9,608**	**5,290,774**
The reconciliation of fair value changes is analysed below:					
Carrying value as at 1 October 2012	1,957,531	2,951,436	404,370	8,955	5,322,292
Changes due to price estimate	107,569	476,937	27,553	653	612,712
Changes due to yield estimate	(193,180)	(462,968)	(16,628)	-	(672,776)
Changes due to immature bushes/animals	3,953	(24,336)	257	-	(28,546)
Carrying value as at 30 September 2013	**1,875,873**	**2,989,741**	**415,552**	**9,608**	**5,290,774**

30 September 2012:	Coffee trees KShs'000	Tea bushes KShs'000	Other trees KShs'000	Livestock KShs'000	Total KShs'000
Carrying value 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 value 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 value 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)	(245,558)
Changes due to yield estimate	(64,358)	(74,162)	(29,944)	(1,481)	(169,944)
Changes due to immature bushes/animals	1,007	(6,491)	-	-	(5,484)
Carrying value as at 30 September 2012	**1,957,531**	**2,951,436**	**404,370**	**8,955**	**5,322,292**

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 2013, the Group had 97 (2011 - 127) cows able to produce milk, 159 (2012 - 127) calves that are raised to produce milk in the future, 3 (2012 - 0) bull calves and 529 (2012 - 382) sheep. The Group produced 866,216 (2012 - 639,776) litres of milk with a fair value less cost to sell of KShs 43,310,800. (2012 - KShs 19,673,943) in the year.

The Group has 879 hectares of mature coffee bushes and 33 hectares of immature coffee bushes. The Group harvested 953,059 (2012 - 980,430) Kgs of coffee with a fair value less cost to sell of KShs 193 million(2012 - KShs 329 million).

The Group has 1,434 (2012 - 1,438) hectares of mature tea bushes and 31(2012 - 27) hectares of immature tea bushes. The Group harvested 26,626,885 (2012 - 23,050,070) Kgs of green tea leaves with a fair value less cost to sell of KShs 463 million (2012 - KShs 323 million).

(b) Company

30 September 2013:	Coffee trees KShs'000	Other trees KShs'000	Livestock KShs'000	Total KShs'000
Carrying value as at 1 October 2012	**1,378,339**	**87,753**	**1,113**	**1,467,205**
Gains/(losses) due to biological transformation at fair value	258,312	9,072	(156)	267,228
Decreases due to harvest at fair value	(171,006)	(3,584)	-	(174,590)
Changes in immature trees/bushes	3,141	238	-	3,379
	90,447	5,726	(156)	96,017
Carrying value as at 30 September 2013	**1,468,786**	**93,479**	**957**	**1,563,222**
The reconciliation of fair value changes is analysed below:				
Carrying value as at 1 October 2012	1,378,339	87,753	1,113	1,467,205
Changes due to price estimate	258,314	9,072	(156)	267,229
Changes due to yield estimate	(171,006)	(3,584)	-	(174,590)
Changes due to immature bushes/animals	3,141	238	-	3,379
Carrying value as at 30 September 2013	**1,468,788**	**93,479**	**957**	**1,563,224**

30 September 2012:	Coffee trees KShs'000	Other trees KShs'000	Livestock KShs'000	Total KShs'000
Carrying value as at 1 October 2011	**1,746,622**	**73,535**	**4,077**	**1,824,234**
Gains/(losses) due to biological transformation at fair value	(100,762)	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	-	(4,105)	(49)
	(368,283)	14,218	(2,964)	(357,029)
Carrying value as at 30 September 2012	**1,378,339**	**87,753**	**1,113**	**1,467,205**

20. Biological Assets *(continued)*

(b) Company (continued)

30 September 2012:	Coffee trees KShs'000	Other trees KShs'000	Livestock KShs'000	Total KShs'000
The reconciliation of fair value changes is analysed below:				
Carrying value as at 1 October 2011	1,746,622	73,535	4,077	1,824,234
Changes due to price estimate	(347,173)	18,482	-	(328,691)
Changes due to yield estimate	(21,532)	(4,264)	(2,964)	(28,760)
Changes due to immature bushes/animals	422	-	-	422
Carrying value as at 30 September 2012	**1,378,339**	**87,753**	**1,113**	**1,467,205**

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	
	2013 KShs'000	2012 KShs'000	2013 KShs'000	2012 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	2,502	2,261	1,194	1,069
Charge for the year	240	241	130	125
At 30 September	2,742	2,502	1,324	1,194
Carrying value				
At 30 September	**20,316**	**20,556**	**7,886**	**8,016**

22. Available-For-Sale Financial Assets

	Group		Company	
	2013 KShs'000	2012 KShs'000	2013 KShs'000	2012 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	
	2013 KShs'000	2012 KShs'000	2013 KShs'000	2012 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 2013.

24. Inventories

	Group		Company	
	2013 KShs'000	2012 KShs'000	2013 KShs'000	2012 KShs'000
Made tea	127,410	124,443	-	-
Tea and tree nurseries	5,825	6,853	-	-
Coffee	27,162	87,836	22,353	84,665
Estate stores	209,867	211,457	26,767	31,855
	370,264	**430,589**	**49,120**	**116,520**

The amount of inventories recognised as an expense is KShs 1,303,584,000 (2012 – KShs 1,265,064,000) which is recognised in cost of sales.

25. Trade and Other Receivables

	Group 2013 KShs'000	Group 2012 KShs'000	Company 2013 KShs'000	Company 2012 KShs'000
Trade receivables	244,996	223,135	117,970	122,848
Allowances for impairment	(8,356)	(9,508)	(2,862)	(9,508)
Net trade receivables	236,640	213,627	115,108	113,340
Other receivables and prepaid expenses	281,694	195,756	119,433	70,052
	518,334	**409,383**	**234,541**	**183,392**
Allowances for impairment:				
At beginning of the year	12,571	2,303	9,508	874
Written off	(4,787)	(1,429)	(4,787)	-
Reversals in the year	(2,532)	-	(2,532)	-
Charge for the year	3,104	8,634	673	8,634
At the end of the year	**8,356**	**9,508**	**(2,862)**	**9,508**
Age analysis of trade receivables:				
Less than 30 days	216,328	103,894	105,464	4,680
31 to 90 days	17,823	70,181	3,814	15,820
Over 90 days (past due but not impaired)	8,971	37,682	7,985	94,070
Over 90 days (past due and impaired)	1,874	11,378	707	8,278
	244,996	**223,135**	**117,970**	**122,848**

26. Related Companies Balances

	Group 2013 KShs'000	Group 2012 KShs'000	Company 2013 KShs'000	Company 2012 KShs'000
Amount due from related companies:				
Mweiga Estate Limited	-	-	210,173	143,487
Aristocrats Coffee and Tea Exporters Limited	-	-	125	(126)
Kipkebe Limited	-	-		11,438
Sasini Coffee House Limited	-	-	12,307	7,929
Sameer Agriculture and Livestock (K) Limited	1,000	1,435	-	-
Sameer Investments Limited	92	(17)	92	111
	1,092	**1,418**	**222,697**	**162,839**
Amount due to related companies:				
Kipkebe Limited	-	-	246,631	-

27. Cash and Cash Equivalents

	Group 2013 KShs'000	Group 2012 KShs'000	Company 2013 KShs'000	Company 2012 KShs'000
Cash and cash equivalents	165,330	118,902	128,568	59,868
Short term deposit	110,034	149,579	75,127	5,414
	275,364	**268,481**	**203,695**	**65,282**

28. Share Capital

	Group 2013	Group 2012	Company 2013	Company 2012
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 2013 KShs'000	Group 2012 KShs'000	Company 2013 KShs'000	Company 2012 KShs'000
Non-distributable reserves:				
Revaluation reserve	1,815,574	1,891,423	1,109,899	1,158,925
Capital reserve	98,530	98,530	40,594	40,594
Biological assets fair value reserve	2,831,712	2,835,840	981,741	914,528
	4,745,816	**4,825,793**	**2,132,234**	**2,114,047**
Distributable reserves:				
Retained earnings	1,309,162	1,182,809	348,353	381,232
Proposed dividends	-	57,014	-	57,014
	1,309,162	**1,239,823**	**348,353**	**438,246**
Non-controlling interest	**99,878**	**133,131**	**-**	**-**

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	
	2013 KShs'000	2012 KShs'000	2013 KShs'000	2012 KShs'000
Deferred tax comprises:				
Excess of tax allowances over				
Depreciation	246,311	260,187	85,836	106,817
Tax losses	(104,660)	(70,475)	-	-
Other temporary differences	(103,219)	(112,809)	(11,545)	(17,534)
Biological assets	1,587,233	1,596,688	468,967	440,162
	1,625,666	**1,673,591**	**543,258**	**529,445**
Deferred tax presented in the financial position as below:				
Entities with net deferred tax asset	(52,699)	-	-	-
Entities with net deferred tax liability	1,678,365	1,673,591	543,258	529,445
	1,625,666	**1,673,591**	**543,258**	**529,445**
Deferred tax movement:				
Balance carried forward	1,625,666	1,673,590	543,258	529,445
Balance brought forward	(1,673,591)	(1,847,081)	(529,444)	(627,440)
Movement during the year	**(47,925)**	**(173,491)**	13,813	**(97,995)**
Analysis of movement during the year:				
Deferred tax recognised in equity	(32,507)	(16,466)	(21,011)	(4,487)
Non controlling interest share in equity	(333)	(333)	-	-
Recognised in statement of comprehensive income (Note 15(a))	(15,085)	(156,692)	34,824	(93,508)
	(47,925)	**(173,491)**	**13,813**	**(97,995)**

The tax losses expire with effect from 2014. However, the company has sought for an extension of the utilisation of the tax losses and are positive the tax authorities will grant approval of the extension.

31. Bank Loan

	Group		Company	
	2013 KShs'000	2012 KShs'000	2013 KShs'000	2012 KShs'000
Maturing within less than one year	175,491	55,703	175,491	55,703
	175,491	**55,703**	**175,491**	**55,703**

These relates to;
(a) A 4 months short term facility of USD 1.2 million (Kshs. 103 million) from United Bank of Africa to finance working capital requirements. The rate of interest is floating at1 percent above the lender's Foreign Currency Prime Lending rate which is subject to review in line with prevailing money market conditions which was 8.5% at 30 September 2013 (2012 – 6. 5%).

(b) A 6 months revolving stock financing facility of Kshs 72.4 million from Equatorial Commercial bank. The rate of interest is 1.5% below base rate and is subject to review in line with prevailing money market conditions which was 21% at 30 September 2013.

32. Post Employment Benefits

	Group		Company	
	2013 KShs'000	2012 KShs'000	2013 KShs'000	2012 KShs'000
Balance brought forward	247,205	222,952	18,890	18,380
Paid during the year	28,526	(19,979)	(595)	(1,678)
Charge for the year	5,180	44,232	1,170	2,188
Balance carried forward	**280,911**	**247,205**	**19,465**	**18,890**
Non-current portion	261,841	236,959	18,496	17,212
Current portion	19,070	10,246	969	1,678
	280,911	**247,205**	**19,465**	**18,890**

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 2013.

The principle assumptions used were as follows: (% p.a.)

Discount rate	12.37
Future salary increases	12.00

33. Trade and Other Payables

	Group		Company	
	2013 KShs'000	2012 KShs'000	2013 KShs'000	2012 KShs'000
Trade payables	56,035	85,001	(29,277)	53,477
Other payables	480,653	375,176	272,343	238,397
	536,688	**460,177**	**243,066**	**291,874**

34. Cash Flows Generated from Operations

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

	Group		Company	
	2013 KShs'000	2012 KShs'000	2013 KShs'000	2012 KShs'000
Profit/(loss)/ before tax and non-controlling interests	158,407	(85,225)	113,754	(30,342)
Adjustments for:				
Depreciation and amortisation	220,580	180,896	65,793	66,289
Net unrealised foreign exchange (gain)/ loss	(7,677)	19,366	(7,758)	(1,890)
Interest income	(1,639)	(28,973)	(7)	(23,318)
Dividend received	-	-	-	(230,000)
Interest costs	4,651	7,814	4,618	7,814
(Gains)/loss on disposal of property, plant and equipment	(7,800)	(4,996)	(15,362)	(3,490)
Loss/(gains) arising from changes in fair value of biological assets	31,518	420,986	(96,017)	357,029
Operating profit before working capital changes	**398,040**	**509,868**	**65,021**	**142,092**
Inventories	60,325	(44,975)	67,400	11,131
Trade and other receivables	(108,951)	(62,087)	(51,149)	(61,773)
Related company balances	326	(367)	186,773	(234,175)
Trade and other payables	76,511	18,874	(48,808)	119,552
Post employment obligations	33,706	24,254	575	510
Cash flows generated from operations	**459,957**	**445,567**	**219,812**	**(22,663)**

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	
	2013 KShs'000	2012 KShs'000	2013 KShs'000	2012 KShs'000
Ryce East Africa Limited	1,363	1,714	113	1,714
Ryce Motors Limited	-	5,701	-	1,196
Ryce Engineering Limited	1,788	223	134	52
Sameer Investments Limited	350	184	350	184
Sameer Management Limited	3,000	3,081	-	81
Airtel Kenya Limited	924	570	802	377
Sameer Agriculture (K) Limited	170	304	170	304
Swift Global Kenya Limited	-	4,265	-	1,844
Yana Tyre Center	725	-	718	-
Liquid Telecom	3,366	-	1,900	-
	11,686	**16,042**	**4,187**	**5,752**

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. All 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	
	2013 KShs'000	2012 KShs'000	2013 KShs'000	2012 KShs'000
Short term employee benefits	43,112	40,851	30,079	28,628
Post employment benefits	4,370	4,218	3,117	3,040
	47,482	**45,069**	**33,196**	**31,668**
(c) Directors emoluments				
Fees	4,613	4,171	4,613	4,171
Other remuneration	11,539	10,636	11,539	10,636
	16,152	**14,807**	**16,152**	**14,807**

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

36. Capital Commitments

	Group		Company	
	2013 KShs'000	2012 KShs'000	2013 KShs'000	2012 KShs'000
Authorised and contracted for	**20,313**	**116,988**	**1,218**	**986**

37. Contingent Liabilities

There are certain pending legal claims brought against the Group at 30 September 2013. 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 the 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	
	2013 KShs'000	2012 KShs'000	2013 KShs'000	2012 KShs'000
Less than one year	4,596	4,822	9,493	4,822
One year to five years	15,944	-	38,223	-
Over five years	6,029	-	9,979	-
	26,569	**4,822**	**57,695**	**4,822**

(b) Lessee

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

	Group		Company	
	2013 KShs'000	2012 KShs'000	2013 KShs'000	2012 KShs'000
Less than one year	2,263	11,013	-	978
One year to five years	4,760	15,822	-	-
Over five years	-	156	-	-
	7,023	**26,991**	**-**	**978**

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

Production And Sales Statistics

	2013	2012	2011	2010	2009
Tea					
Area – Hectares	1,465	1,465	1,437	1,437	1,437
Production – Tonnes	11,061	8,826	9,042	9,166	9,326
Sales – Tonnes	11,064	8,877	8,761	9,249	9,323
Sales proceeds - KShs/Kg	190	192	189	170	147
Coffee					
Area – Hectares	912	912	912	912	912
Production – Tonnes	1201	980	863	1,106	1,362
Sales – Tonnes	1,169	1,008	908	1,114	1,527
Sales proceeds - KShs'000/tonne	339	407	618	392	262
Results	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
Revenue	2,816,834	2,820,737	2,665,877	2,297,929	2,182,090
(Losses)/gains arising from changes in fair value less costs to sell	(31,518)	(420,986)	(416,043)	904,832	568,992
(Loss)/profit before taxation and non-controlling interest	158,407	(85,225)	1,014,139	1,382,375	759,722
Taxation (charge)/credit	(66,718)	(38,888)	(563,792)	(388,646)	(226,690)
(Loss)/profit after taxation before non-controlling interests	91,689	(124,113)	450,347	993,729	533,032
Made up as shown below:					
Profit/(loss) arising from operating activities	126,832	186,857	384,664	352,553	137,206
(Loss)/profit arising from changes in fair value less costs to sell after tax	(4,128)	(254,650)	6,569	628,354	388,820
Non-controlling interest	(31,015)	(56,320)	59,114	12,822	7,006
	91,689	(124,113)	450,347	993,729	533,032
Dividends	(57,014)	(171,042)	(228,055)	(114,028)	(91,222)

Capital Employed

	2013 KShs '000	2012 KShs '000	2011 KShs '000	2010 KShs '000	2009 KShs '000
Property, plant and equipment	2,343,387	2,411,972	2,402,791	2,433,720	2,435,962
Intangible assets	11,686	19,887	29,758	39,791	718
Biological assets	5,290,774	5,322,292	5,743,278	5,327,235	4,416,277
Prepaid leases - leasehold land	20,316	20,556	20,797	21,038	21,463
Capital work-in-progress	39,934	37,877	21,645	6,392	78,573
Other investments	525	525	525	4,229	4,229
Deferred tax asset	52,699	-	-	-	-
Net current assets	563,796	524,243	659,798	708,611	636,885
	8,323,117	8,337,352	8,878,592	8,541,016	7,594,107
Financed By					
Share capital	228,055	228,055	228,055	228,055	228,055
Reserves	6,054,978	6,008,602	6,230,971	6,056,768	5,256,633
Non-controlling interests	99,878	133,131	189,118	136,739	131,523
Proposed dividend	-	57,014	114,028	68,417	45,611
Equity	6,382,911	6,426,802	6,762,172	6,489,979	5,661,822
Deferred tax liability	1,678,365	1,673,591	1,847,081	1,444,349	1,223,823
Bank loan	-	-	56,837	-	4,550
Loan notes	-	-	-	420,000	540,000
Post employment benefit obligations	261,841	236,959	212,502	186,688	163,912
	8,323,117	8,337,352	8,878,592	8,541,016	7,594,107
Ratios					
Earnings/(loss) per share on operating activities (KShs)	0.56	0.82	1.69	1.55	0.60
Earnings/(loss) per share on Biological assets (KShs)	(0.02)	(1.12)	0.03	2.75	1.70
Dividend per share (KShs)	0.25	0.75	1.00	0.50	0.40
Dividend cover (times covered)	2.24	1.09	1.69	3.10	1.50
Capital employed per share	36.26	36.56	38.93	37.45	33.30

Sasini Ltd and Subsidiaries

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 28th February, 2014 and at any adjournment thereof.

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

day of …………………………………… 2014

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 28 Februari 2014 na kwenye uahirishwaji wake wowote.

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

Mwezi wa …………………………………… 2014

Sahihi ……………………………………

Maelezo:

- Ili kuwa halali, fomu hii ya uwakilishi 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, uwakilishi uwe kwenye muhuri wa kawaida au kwa idhini ya afisaa au mwanasheria aliyeidhinishwa kwa maandishi.

FOLD 2

Affix
Stamp
Here

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

FOLD 1

Sasini

FOLD 3

Insert Flap Inside

Direction to Kamundu Estate

Key:
Road to Sasini Coffee Mill, Kamundu Estate

Sasini

A Member of Sameer Group

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