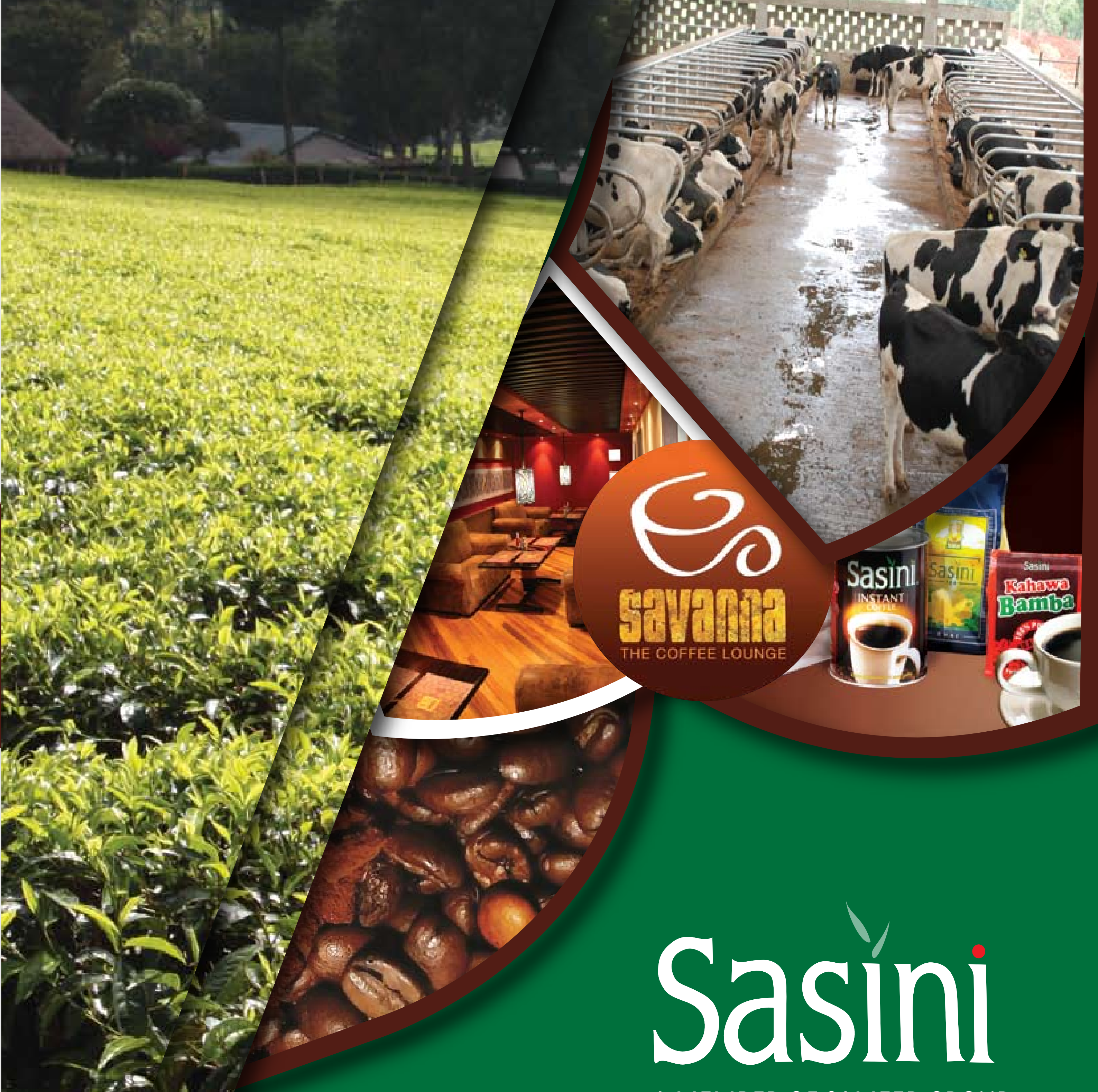
SASINI LIMITED AND SUBSIDIARIES




Sasini

A MEMBER OF SAMEER GROUP

# ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH SEPTEMBER 2014

Sasini 2014

## Contents

# DIRECTORS AND STATUTORY INFORMATION

## DIRECTORS

| | |
|---|---|
| Dr. J.B. McFie, PhD, MBS | Chairman |
| N. N. Merali, CBS | |
| A.H. Butt, CPA (Kenya), FCCA | |
| S.N. Merali, MSc | |
| M.J. Ernest, BA (Hons), FCA * | Resigned 26 September 2014 |
| Mrs. L.W. Waithaka, MSc | |
| Dr. S.O. Mainda, PhD, MA, ACII, EBS | |
| A.R. Kassam | Appointed 30 September 2014 |
| Dr. M.J.C Mwangi, PhD | Resigned 31 December 2013 |
| M.K. Changwony, BA (Hons) | Appointed 1 January 2014 |

* British

## ADVOCATES

Shapley Barret & Company
PO Box 40286 - 00100
NAIROBI

Hamilton Harrison and Mathews
(incorporating Oraro & Co)
PO Box 30333 - 00100
NAIROBI

Timamy and Company Advocates
PO Box 87288 - 80100
MOMBASA

## SECRETARY

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

## REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Sasini House
Loita Street
PO Box 30151 - 00100
NAIROBI

Telephone
(+254-020) 3342166/71/72

Mobile
(+254 ) 722 200706, 734 200706, 705 200706
733 200706

E-mail
info@sasini.co.ke

Website
www.sasini.co.ke

# DIRECTORS AND STATUTORY INFORMATION (Continued)

## 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
Equatorial Fidelity Centre
Waiyaki Way
PO Box 52467 - 00200
NAIROBI

Kenya Commercial Bank Limited
Kiambu Branch
PO Box 81 - 00900
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.

# 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 n 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 Director of the Kenya Capital Markets Authority, a member of the Kenya Added Tax Tribunal and a Trustee of the Kenya Corporate Governance Trust and of Jitegemee Trust. He is also a director of The Standard 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 Board on 30th August 2007.

**Mr. Naushad Noorali Merali** - *Non Executive*

Mr. N N Merali is a businessman and 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). Construction and Engineering (Warren Enterprises Limited), Financial Services (Equatorial Commercial Bank Ltd), Commercial (Ryce East Africa Ltd, Sasini Coffee House Ltd, Sameer EPZ Ltd, Sameer Industrial Park Ltd) and Sameer Business Park an ultra modern building comprising five units totaling more than 500,000sq ft of built up area in show rooms and offices.

Mr. Merali has also served on various Presidential Committees relating to trade and social services and is a member of the National Economic and Social Council and was recently appointed a board Trustee member of the National Cancer Institute of Kenya. 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) 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. 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 and serves as a director of Sameer Investment Limited. He is the Chairman of Ryce East Africa Limited, Nandi Tea Estates Ltd and Waren Enterprises Ltd. He is a Director of Sameer Africa Limited, a company listed on the Nairobi Securities Exchange Ltd. He is also a Director of Sameer ICT Ltd, Sameer Telecom Ltd and Fidelity Shield Insurance Company Ltd. He joined the Board of Sasini Ltd on 26th May 2006.

## BOARD OF DIRECTORS (Continued)

**Mrs. Lucy Waguthi Waithaka** - *Non Executive*

Mrs. L. Waithaka holds a Masters of Science degree in Agronomy/Horticulture. Mrs. Waithaka has extensive experience in plant husbandry and management having held senior positions in agriculture 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 is currently the General Manager, Supply Chain Development at the Export Promotion Council of Kenya. She was co-opted to the Board on 30th August 2007.

**Mr. A. R. Kassam** - *Non Executive*

Mr. A. R. Kassam has a wealth of experience in FMCG operations having worked for Multi internationals for more than 33 years with strong financial, corporate, strategic management knowledge and experience. He has in-depth knowledge in sales and distribution in the local and export markets.

He previously worked with Sara Lee/S C Johnson Kenya and the East Africa Region, holding the Position of Finance/Acting Managing Director.

He was appointed to the Board of Sasini Limited on 30th September, 2014.

**Dr. Steve Omenge Mainda, PhD**- *Non Executive*

Dr. S. O. Mainda was awarded a Doctrate Degree (Honoris Causa) in Strategic Management by Makerere University in 2013. He also holds a Master of Arts degree in Management .He is a member of the Chartered Institute of Insurance. Mr Mainda has a wealth of experience in Finance, Insurance, Strategic Management and Education. He is currently the Chairman of Insurance Regulatory Authority and Housing Finance Company of Kenya Ltd which is also listed in the Nairobi Securities Exchange. He is a Director of Fina Bank Ltd, Ryce East Africa Ltd (a member of the Sameer Group of Companies). He joined the Board on the 21st September 2012.

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

Appointed as Managing Director on 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

Appointed as Managing Director on 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. 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.

**Mr. James Muriithi Kieu**
General Manager, Coffee Operations

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

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

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

Appointed General Manager, Coffee Operations in February 2004.

**Mr. Samuel Kanga Odalo**
Group Financial Controller

Over 26 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 (MBA) 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 (CPA K), Member of Institute of Certified Public Accountants of Kenya (ICPAK). Joined the group in 1998 and appointed to the position in July 2009.

## SENIOR MANAGEMENT TEAM (Continued)

**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 (ICPS K).

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

**Mr. Evans Chetelah Wattimah**
Sales & Marketing Manager

Over 10 years' experience in Sales and Marketing; for mass and key accounts modules with vast market activation knowledge at retail level.

Prior to joining Sasini Ltd, he was a team leader and regional coordinator with Planning & Liaison Ltd.

Holds Bachelor of Arts (Community Development) Environmental Studies (Hons). Post graduate Certificate in Computer Applications.

Joined the group in May 2007 as a Sales Executive and was appointed Sales and Marketing Manager in July 2013.

**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-third (63rd) ANNUAL GENERAL MEETING of the members will be held at Kamundu Estate, Kiambu, on Friday 27th February 2015, at 11.30 a.m, for the following purposes:

1. To confirm the minutes of the Sixty second (62nd) Annual General Meeting held on 28th February 2014.

2. To receive, consider and if deemed fit, adopt the Annual Report and Financial Statements for the year ended 30th September 2014 together with the reports thereon of the Directors and of the Auditors.

3. To declare the payment of a dividend of 25%.

4. To elect the following Directors:
   I. Mr. N.N. Merali, a Director retiring by rotation, who being eligible, offers himself for re-election.
   II. Mr. A. H. Butt, a Director retiring by rotation, who being eligible, offers himself for re-election.
   III. Mr. A. R. Kassam, who was appointed on 30th September 2014 to hold office until the conclusion of this annual general meeting, who being eligible, offers himself for re-election.

5. To confirm the Directors' emoluments.

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

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

By Order of the Board

**Mrs. Mary Rebecca Ekaya**
*Company Secretary*
Nairobi
18th December 2014

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. The form of proxy can also be downloaded from the company website: www.sasini.co.ke.

## ILANI YA MKUTANO MKUU WA KILA MWAKA

Ilani inatolewa hapa kuwa MKUTANO MKUU WA KILA MWAKA wa sitini na tatu (63) wa wanachama utafanyika katika shamba la Kamundu, Kiambu, Ijumaa, tarehe 27 Februari 2015, saa tano na nusu asubuhi kwa madhumuni yafuatayo:

1. Kuthibitisha matokeo ya Mkutano Mkuu wa Kila Mwaka wa Sitini na mbili (62) uliofanyika tarehe 28 Februari 2014.

2. Kupokea, kuchunguza na ikionekana sawa kuidhinisha Ripoti ya Mwaka na Taarifa za Kifedha za mwaka uliomalizikia tarehe 30 Septemba 2014, pamoja na taarifa za Wakurugenzi na Wakaguzi wa hesabu.

3. Kutangaza malipo ya mgao wa faida wa asilimia 25

4. Kuwachagua Wakurugenzi wafuatao:
   (i) Bw. N. N. Merali, Mkurugenzi anayestaafu kwa zamu, ambaye kwa kuwa ana haki ya kuchaguliwa, anajitolea kuchaguliwa tena.
   (ii) Bw. A. H. Butt, Mkurugenzi anayestaafu kwa zamu, ambaye kwa kuwa ana haki ya kuchaguliwa, anajitolea kuchaguliwa tena.
   (iii) Bw. A. R. Kassam, aliyechaguliwa tarehe 30 Septemba 2014 kushikilia mamlaka mpaka kumalizika mkutano mkuu wa kila mwaka, ambaye kwa kuwa ana haki ya kuchaguliwa, anajitolea kuchaguliwa tena.

5. Kuidhinisha malipo ya Wakurugenzi.

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

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

Kwa Amri ya Halmashauri

**Bi. Mary Rebecca Ekaya**
*Katibu wa Kampuni*
Nairobi

Tarehe 18 Desemba mwaka 2014

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. Fomu ya uwakilishi yaweza pia kupatikana kutoka kwa tovuti ya kampuni: www.sasini.co.ke

# CHAIRMAN'S STATEMENT
## ECONOMY AND BUSINESS ENVIRONMENT

### GLOBAL AND AFRICAN ECONOMIES

Last year we projected a much brighter outlook in World Economy in 2014 and into 2015. As we closed the Financial Year in September 2014, the world economy had recorded uneven growth for another year in 2014 largely due to weaker than expected global activity in the first half of 2014. However, despite these setbacks, growth in world economy, although weaker than projected has been positive during the year falling within the projected growth of 3.3 percent. The global growth projection for 2014 has been lowered by 3.8 percent, with growth estimated at 2.1 per cent. The outlook for 2015 is slightly more optimistic with growth projected at 3.3 per cent (2014 – 3.0 percent). The marker Brent oil price pushed down by oversupply from Americas Shale oil and reducing global demand had dropped to a low of $54 per barrel in December, a price far below projections predicted last year. These developments although potentially a threat to exploration activity and oil prospects in Kenya will have significant positive effect on electricity, transport and farm input costs.

Following slower than expected recovery in the Eurozone, poor economic performance in Emerging Markets and economic depression in Japan, downside risks have increased globally. Short term risks include a worsening of geopolitical tensions and a reversal of recent risk spread and volatility compression in financial markets. Medium-term risks include stagnation and low potential growth in advanced economies and a decline in potential growth in emerging markets.

Africa maintained an average growth rate and was projected to close the year 2014 at 4.8%, 0.8% higher than 2013. This compares to 3% for the global economy and again underscores the continent's resilience to global and regional headwinds. Nevertheless growth performance varied widely across country classifications and regions.[1] Growth in sub-Saharan Africa edged towards 5.8% in 2014 and is projected to grow to 6.8 % in 2015. Africa's medium term growth prospects look good driven majorly by domestic demand, infrastructure development, manufacturing and Foreign Direct Investment (FDI). Development in Africa during the period under review was led by higher growth rates in East and Western Africa with South and North Africa lagging behind. This momentum is expected to be sustained into 2015 should downside risks associated with insecurity and political tension be contained and or diminished.

### The National Economy

Kenya's Economy although weighed down by the challenges of insecurity, weakening Kenya Shilling, poor commodity prices, in particular tea, and low tourist numbers has remain on course with insignificant setbacks. Macroeconomic stability resulting from prudent fiscal management by Central Bank backed by almost five months' foreign exchange cover, increased FDI, diaspora remittances, infrastructure development and the positive uptake of the Eurobond has kept the shilling stronger compared with its peers. This stable position has been complemented by favourable crude oil prices. The continued increase in geothermal power supply has combined with economic stability to keep inflation in check. Last financial year, World Bank estimated Kenya's economy to grow by 5 per cent while projecting growth in 2014 at 5.1 per cent. The rate of inflation has remained relatively stable in 2014 and is expected to continue this stability into 2015. The poor performance of the Eurozone has driven investment capital outside the zone into other markets and the Nairobi Securities Exchange whose index moved up 4% above 2013 performance, has been a major

## CHAIRMAN'S STATEMENT (Continued)

beneficiary. Agriculture, manufacturing and retail are tipped to grow in 2015, while ICT and related services will register even stronger growth than 2014, following the entry of Equity bank into mobile money, Safaricom's security contract and the implementation of Techno City. Stable energy supply at more competitive rates is seen as another major driver of growth in 2015.

### Global Tea Trends

Global Tea Exports are dominated by exports from Kenya, India, Sri Lanka, and China; with Vietnam recently gaining prominence as a major exporter. Production volumes have been increasing with the consequence of pushing prices down. Demand has been outstripped by supply. Following good weather conditions in the last two years, a bumper crop has been realized forcing prices to simultaneously fall by up to 40% compared to three years ago. Export markets such as the UK, have seen demand for mass-market tea plateauing, while countries in the Middle East, mired in political turmoil have witnessed frequent disruptions in purchases. However, the black/other Teas segment is growing modestly (3.9% annually), production of Green tea is growing rapidly (11% CAGR) and Herbal Teas are growing exponentially (>15% CAGR). The growth of these new tea flavours continue to reduce the demand for black CTC teas, which Kenya predominantly exports.

### National Tea Trends

Poor Prices of tea in the Mombasa Auction attributed to oversupply persisted into December 2014 with no change in market activity. The auction in Mombasa experienced continued lower prices generally. The weather in East Africa is still favourable for growth. However Kenya is showing signs of turning slightly drier which is seasonally normal. This may affect production with the prospect of positive consequence of improved auction realisation towards March 2015. It has been a difficult year for many tea producers, more so in Africa than elsewhere. The 2014 crop was expected to exceed that of 2013 meaning the year, 2015 will start with surplus stock. There are no signs of a bullish market on the immediate horizon but if the weather is drier in the first quarter of 2015, then market dynamics could change promisingly.

### Global Coffee Trends

World Coffee Market trends project a reduction of supply of about six million bags in 2014 -2015 from the world leading Arabica producer Brazil, which had been hit hard by delayed rains. However, November rains in that region marginally affected prices for the period. Coffee prices slipped back in November, as widespread rains in Brazil enhanced production to curtail further price rises. During this period Brazilian naturals, Colombian Milds, other Milds and Rubustas indicators decreased, although this was less noticeable in the case of Robusta. In terms of Robusta production, there have been mixed reports for Vietnam in 2014/15, but a decrease is expected in Indonesia based on recent export volumes. Total exports in October 2014, the first month of the new coffee year, came to 8.9 million bags, half a percent higher than the previous year. For the first ten months of this calendar year, total exports were 0.7% higher at 95 million bags, compared to 94.3 million for the same period last year. Exports have been particularly strong from Brazil (+15.9%), Colombia (+16.6%) and Vietnam (estimated to be up by nearly 25%), although estimated exports from Indonesia are less than half their level of a year ago.[2]

Initial estimates indicate that world coffee production in crop year 2014/15 will be in the region of 141 million bags. 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 percent, 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 the coffee crop and the use of inputs such as fertilizers and labour will likely be reduced .[3]

# CHAIRMAN'S STATEMENT (Continued)

## National Coffee Trends

Uncertainty and a lack of confidence in Kenya's marketing system following the recent demands by County Governments continue to pose pertinent questions regarding the traceability and accessibility of coffees from the Country. Following poor and irregular rainfall, projected yields have been affected with a much reduced crop anticipated for next year (around 40,000MT). This, however, is expected to culminate in firmer pricing. Already differentials for AA's and other top grades are increasing, as exporters shorts need to be covered, and buyers stock up while they can. Kenya is a relatively small producer, but is still considered an important producing country due to our consistently high quality mild Arabica coffees. The main destinations for our coffee exports are Germany, Belgium, the United States and Sweden.

## GROUP FINANCIAL RESULTS

### Overview

The year 2013/14 has seen a reduction in the overall profitability of the Sasini Group in relation to the previous year. The revenue decreased from Kshs 2.816 billion to Kshs 2.762 billion.

The results from operating activities decreased to Kshs 85.476 million from a profit of Kshs 126.832 million in the previous year.

The reduction in profitability is largely as a result of poor price realization of tea prices at the Mombasa Tea Auction which remained at all-time low.

### Tea Production

During the year, our factories produced 11,564 Tons of made tea compared to 11,061 Tons in the previous year. The average price realized for tea dropped to USD 1.82/kg compared to USD 2.26/kg in the previous Financial Year due mainly to the oversupply in the industry. The persistent decline in tea prices severely affected our bottom line and necessitated the announcement of the profit warning during the half year.

### Coffee Production

During the year, our estates produced 1,153 Tons of Coffee compared to 1,201 Tons in the previous year. This drop in production is attributed to the poor rainfall during the year.

The average price realized for coffee improved to USD 4.82/kg compared to USD 3.69/kg in the previous Financial year due to the poor performance of the Brazilian coffee.

## SOCIAL RESPONSIBILITY

The Company continues to be proactive on environmental conservation and collaborates with host communities around our facilities by way of support in the conservation of water catchment and riparian reserves. We actively take part in the annual National Tree Planting every month of June and donate thousands of tree seedlings at the event. The Company is increasingly emphasizing Social Corporate Investment (CSI) which we consider to be much more benevolent than Corporate Social Responsibility (CSR), because CSI echoes the general emphasis on sustainability, which is foundational to the organization in its day-to-day operations. Sasini is focused on building a strategy that delivers enduring and lasting difference in the lives of beneficiaries. Kipkebe Limited, our tea growing and manufacturing arm is partnering with the Zarin and Naushad Merali Foundation to sponsor the construction of a Secondary school in Nyamira County. While Mweiga Estate Limited in our coffee division, through its investment in livestock has begun piloting on embryo harvesting from it best dairy animal genotypes with a view of making these high value dairy cows readily available and affordable to farmers in much larger quantities. Our conservation footprints are evident in all the

## CHAIRMAN'S STATEMENT (Continued)

water catchment areas within our estates. Indigenous trees from our nurseries are shared with our Rain Forest Alliance certified farmers. The annual farmers' open day continues to be an attractive event conducted as a culmination of the extension services where the farmers get the opportunity to visit the facility that mills their coffees. During this year's event, the Company distributed about 200,000 quality high yielding variety coffee seedlings to farmers in attendance, as part of our strategy to improve farmers' coffee production and earnings.

### STRATEGIC INITIATIVES

Continuous performance improvement is our goal and our efforts are geared towards safeguarding shareholders' interest while improving on earnings. The recent poor performance of black tea in the international markets has called for fresh thinking, and as a response to this, the Company has implemented a raft of cost saving measures and value propositions, which included review of loss making enterprises. Value addition is an area we are currently interrogating with the view of ensuring that most of our products are sold as value added products. The retail division has successfully steered our market leadership on Kahawa No.1, and is progressively building on growing market share of locally branded teas. Our footprint on coffee shops is set to grow as we work around improving on service delivery and development of unique flavors for the niche market.

### 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

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 PhD**
*Chairman*

**18th December 2014**

[1] *Africa Economic Outlook 2014*

[2] *ICO Coffee Report 2014*

[3] *EAFCA 2013 update*

# TAARIFA YA MWENYEKITI

## MAZINGIRA YA UCHUMI NA BIASHARA

### CHUMI ZA KILIMWENGU NA ZA KIAFRIKA

Mwaka jana tulikadiria mtazamo wa matumaini zaidi katika uchumi wa ulimwengu mwaka 2014 na kufikia hadi mwaka 2015.Tulipokuwa tukifunga mwaka wa kifedha Septemba 2014, uchumi wa ulimwengu ulikuwa umerekodi ukuaji usiokuwa wa sawa kwa mwaka mwengine wa 2014 hasa zaidi kutokana na shughuli dhaifu ya kilimwengu kuliko ilivyotarajiwa katika nusu ya kwanza ya mwaka 2014. Ijapokuwa, dhidi ya pingamizi hizi, ukuaji katika uchumi wa ulimwengu, ingawa dhaifu kuliko ilivyotarajiwa umekuwa chanya katika mwaka ukiwa katika ukuaji uliokadiriwa wa asilimia 3.3. Ukadiriaji wa ukuaji wa ulimwengu wa mwaka 2014 umepunguzwa kwa asilimia 3.8, na ukuaji ukikadiriwa wa asilimia 2.1. Mtazamo wa mwaka 2015 kidogo ni wa matumaini zaidi, na ukuaji unakadiriwa wa asilimia 3.3 (mwaka wa 2014-asilimia 3). Kiashirio cha Brent cha mafuta kilichosukumwa chini na ugavi uliozidi kutoka mafuta ya mwambatope ya Amerika na upungufu wa mahitaji ya ulimwengu yaliopungua kuwa ya chini ya dola 54 kwa pipa mwezi Desemba , bei chini sana yay matarajio yaliokadiriwa mwaka jana. Matukio haya ijapokuwa yanaweza kuwa tishio kwa shughuli ya uchunguzi na utafutaji wa mafuta nchini Kenya yatakuwa na athari chanya ya maana kwenye gharama ya umeme, usafiri na gharama za pembejeo za ukulima.

Kufuatia nafuu ya taratibu kuliko ilivyotarajiwa katika eneo la Ulaya, utendaji duni wa kiuchumi katika masoko ibuka na mdororo wa kiuchumi nchini Japani, hatari mbaya zimeongezeka ulimwenguni. Hatari za muda mfupi ni pamoja na mivutano inayoongezeka ya kieneo-siasa na badiliko karibuni la uenezi wa hatari na shinikizo la kubadilika upesi kwa masoko ya kifedha. Hatari ya muda wa kati ni pamoja na mdororo na ukuaji wa uwezo mdogo katika chumi zilizoendelea na upungufu katika uwezo wa ukuaji katika masoko ibuka.

Bara Afrika lilidumisha kiwango cha ukuaji cha wastani na ulikadiriwa kufunga mwaka 2014 katika asilimia 4.8, asilimia 0.8 zaidi ya mwaka 2013. Hii inalinganishwa na asilimia 3 ya uchumi wa ulimwengu na tena inathibitisha uthabiti wa bara hili dhidi ya pepo za mbisho za kilimwengu na kieneo. Hata hivyo utendaji wa ukuaji ulitofautiana pakubwa baina ya uainishaji wa nchi na maeneo. Ukuaji katika maeneo ya Afrika chini ya Sahara ulikaribia kufikia asilimia 5.8 katika mwaka 2014 na unatarajiwa kukua kufikia asilimia 6.8 katika mwaka 2015. Matarajio ya Afrika ya ukuaji wa muda wa wastani yanaonekana mazuri yakisukumwa na mahitaji ya nchini, maendeleo ya muundomsingi , utengenezaji na uekezaji wa moja kwa moja wa kigeni. Maendeleo katika bara la Afrika katika kipindi kinachorejelewa yalisababishwa na viwango vya juu vya ukuaji katika Afrika Mashariki na Magharibi na Afrika Kusini na Kaskazini zikibaki nyuma. Msukumo huu unatarajiwa kuendelezwa katika mwaka 2015 ikiwa hatari mbaya zinazotokana na kutokuwa na usalama na mivutano ya kisiasa zitadhibitiwa na au kupunguzwa.

### Uchumi wa Kitaifa

Ijapokuwa uchumi wa Kenya umelemazwa na changamoto za kutokuwa na usalama, shilingi ya Kenya iliodhoofika, bei za chini za bidhaa, hasa majani chai na idadi ndogo ya watalii, umebakia sawa ukiwa na pingamizi zisizo za umuhimu. Uthabiti wa uchumi mkuu unaotokana na usimamizi wa kifedha wa busara wa Benki Kuu ukisaidiwa na karibu dhamana ya fedha za kigeni za miezi mitano, ongezeko la uekezaji wa moja kwa moja wa kigeni, fedha kutoka wanaoishi nje ya nchi, maendeleo ya miundomsingi na upokezi chanya wa bondi ya Yuropa umeifanya shilingi imara zaidi ikilinganishwa na sarafu wenza. Hali hii thabiti imekamilishwa na bei nzuri za mafuta yasiosafishwa. Ongezeko linaloendelea katika ugavi wa nguvu za joto la ardhi limechanganyika na uthabiti wa kiuchumi kuudhibiti mfumko wa bei. Mwaka jana wa

## TAARIFA YA MWENYEKITI (Kuendelea)

kifedha Benki ya Ulimwengu ilikisia uchumi wa Kenya kukua kwa asilimia 5 hali ikikadiria ukuaji katika mwaka 2014 kuwa asilimia 5.1.Kiwango cha mfumko wa bei kimebakia thabiti kwa kiasi katika mwaka 2014 na kinatarajiwa kuendeleza uthabiti huu hata katika mwaka 2015. Utendaji duni wa eneo la Ulaya umepelekea uekezaji mtaji nje ya eneo hilo katika masoko mengine na Soko la Hisa la Nairobi ambalo kiwango chake kiliongezeka na kuwa asilimia 4 zaidi ya utendaji wa mwaka 2013 limekuwa mnufaishwa mkuu. Kilimo, utengenezaji na uchuuzaji zinadokezewa kukua katika mwaka 2015, hali habari,mawasiliano na teknolojia na huduma zinazohusiana nazo zitapata ukuaji hata zaidi ya mwaka 2014, kufuatia kuingia kwa benki ya Equity katika pesa sambazi, mkataba wa usalama wa Safaricom na utekelezaji wa jiji la ufundi. Ugavi thabiti wa nishati kwa bei za ushindani zaidi unaonekana ni msukumo mwengine mkuu wa ukuaji katika mwaka 2015.

### Mielekeo ya Kilimwengu ya Majani Chai

Mahuruji ya kilimwengu ya majani chai yametawaliwa na mahuruji kutoka Kenya, India, Srilanka na Uchina; na Vietnam ikipata umaarufu karibuni kama muuzaji bidhaa mkuu. Wingi wa uzalishaji umekuwa ukiongezeka ukiwa na matokeo ya kusukuma bei chini. Mahitaji yamezidiwa na ugavi. Kufuatia hali nzuri za hewa katika miaka miwili iliopita, zao kubwa mno limepatikana likilazimisha bei wakati huo huo kuanguka kwa karibu asilimia 40 ikilinganishwa na miaka mitatu iliopita. Masoko ya mahuruji kama vile Uingereza, yamekuwa na kupunguka kwa mahitaji ya wingi wa soko la majani chai, hali nchi katika Mashariki ya Kati, zinazokumbwa na misukosuko ya kisiasa zimekuwa na kukatizwa kwa mara kwa mara kwa ununuzi. Ijapokuwa kigao cha majani chai nyeusi na nyingine kinakua kidogo (asilimia 3.9 kila mwaka), uzalishaji wa majani chai kijani unakua haraka (asilimia 11 CAGR) na chai za miti shamba zinakua haraka zaidi ( > asilimia 15 CAGR). Ukuaji wa ladha hizi mpya za majani chai unaendelea kupunguza mahitaji ya chai nyeusi CTC, ambayo Kenya husafirisha zaidi.

### Mielekeo ya Kitaifa ya Majani Chai

Bei duni za majani chai katika mnada wa Mombasa zilizotokana na ugavi wa ziada ziliendelea hadi Desemba mwaka 2014 kukiwa hakuna mabadiliko katika shughuli ya soko. Kwa jumla mnada uliopo Mombasa uliendelea kupata bei duni.Bado hali ya hewa ya Afrika Mashariki inafaa kwa ukuaji, ijapokuwa Kenya inaonyesha dalili ya kubadilika kuwa kukavu kidogo ambayo ni kawaida ya msimu. Hili linaweza kuathiri uzalishaji kukiwa na matarajio ya matokeo chanya ya upatikanaji wa bei za mnada zilizoimarika kufikia mwezi Machi mwaka 2015. Umekuwa mwaka mgumu kwa wazalishaji wengi wa majani chai, hasa zaidi katika bara la Afrika kuliko kwengine. Zao la mwaka 2014 lilitarajiwa kuzidi lile la mwaka 2013 kumaanisha mwaka 2015 utaanza na akiba ziada.Hakuna dalili ya kutaraji bei kuongezeka katika wakati wa karibuni lakini ikiwa hali ya hewa ni kavu zaidi katika robo ya kwanza ya mwaka 2015, basi mifanyiko ya soko inaweza kubadilika kwa matumaini.

### Mielekeo ya Kilimwengu ya Kahawa

Mielekeo ya soko la kahawa la ulimwengu inakadiria upungufu wa ugavi wa karibu magunia milioni sita katika mwaka 2014-2015 kutoka kwa mzalishaji wa kahawa ya Arabika anayeongoza duniani Brazil, ambayo imeathiriwa vibaya na mvua zilizochelewa. Ijapokuwa mvua za Novemba katika eneo hili ziliathiri bei kidogo kwa wakati huo. Bei za kahawa zilipungua mwezi wa Novemba , wakati mvua zilizoenea Brazil ziliongeza uzalishaji na kuzuia ongezeko zaidi la bei. Katika kipindi hiki viashiria vya kahawa asilia ya Brazil, Kahawa laini ya Columbia, kahawa nyingine laini na za robusta vilipungua, ijapokuwa hili halikuonekana wazi katika aina ya robusta. Kufuatia uzalishaji wa robusta , kumekuwa na ripoti changanishi za Vietnam katika mwaka 2014/2015, lakini upungufu unatarajiwa Indonesia kutokana na wingi wa mahuruji ya karibuni. Jumla ya mahuruji katika mwezi wa Oktoba mwaka 2014, mwezi wa kwanza wa mwaka mpya wa kahawa, ilikuwa magunia milioni 8.9, nusu asilimia zaidi ya mwaka uliopita. Kwa miezi kumi ya mwanzo wa mwaka huu wa kalenda, jumla ya mahuruji yalikuwa asilimia 0.7 zaidi yakiwa magunia milioni 95 ikilinganishwa na magunia milioni 94.3 kwa muda huu mwaka jana. Mahuruji yamekuwa imara hasa kutoka Brazil (asilimia +15), Columbia (asilimia +16)

## TAARIFA YA MWENYEKITI (Kuendelea)

na Vietnam (ikikadiriwa kuwa juu kwa zaidi ya asilimia 25), ijapokuwa mahuruji kutoka Indonesia ni chini ya nusu ya kiwango chao cha mwaka uliopita. Makisio ya awali yaonyesha kuwa uzalishaji wa kahawa wa ulimwengu kama zao la mwaka 2014/2015 utakuwa katika kiasi cha magunia milioni 141. Data ya karibuni kutoka Shirika la Kimataifa la Kahawa inaonyesha kuwa bei zilizopungua kimataifa zimesukuma kiashiria cha sehemu cha Shirika la Kimataifa la Kahawa - kinachofuatilia bei za kahawa - chini kwa asilimia 7.4, kiwango cha chini zaidi kutokea mwezi Septemba mwaka 2009. Wazalishaji kahawa katika eneo la Afrika Mashariki pia wametambua kuwa hali mbaya za hewa zinaweza kubadilisha kwa kiasi kikubwa ustawi wa sekta ya kilimo inayoajiri zaidi ya asilimia 60 ya wafanyi kazi wote wa eneo.East Africa Fine Coffee Association (EAFCA) imetambua kuwa kutokana na mielekeo ya sasa ya bei, kuna motisha inayopungua kwa wakulima kuekeza katika zao la kahawa na utumizi wa pembejeo kama mbolea, nguvukazi unaweza kupunguzwa.

### Mielekeo ya Kitaifa ya Kahawa

Kutokuwa na uhakika na ukosefu wa imani katika mfumo wa uuzaji wa Kenya kutokana na matakwa ya karibuni ya Serikali za Kaunti zinaendelea kuzua maswali muhimu kuhusiana na utafutaji na ufikiaji wa kahawa kutoka nchini. Kufuatia mvua kidogo na isiotegemeka, mazao yanayokadiriwa yameathiriwa na zao lililopungua zaidi linatarajiwa la mwaka ujao (kama TM 40,000). Ijapokuwa hili linatarajiwa kuleta uimarikaji wa bei. Tayari tofauti za AA na gredi za juu nyingine zinaongezeka, wakati wasafirishaji bidhaa nje wakipunguza mahitaji ya kutosheleza na wanunuzi wakilimbikiza inapowezekana. Nchi ya Kenya ni mzalishaji mdogo kiasi, lakini bado inatazamwa kama nchi muhimu inayozalisha kutokana na kahawa yetu laini ya Arabika ya ubora wa juu wa kutegemeka.Nchi kuu za mahuruji yetu ya kahawa ni Ujerumani, Ubelgiji, Amerika na Sweden.

## MATOKEO YA KIFEDHA YA KUNDI

### Mtazamo

Mwaka wa 2013/2014 umekuwa na upungufu katika faida ya jumla ya Kundi la Sasini ikilinganishwa na mwaka uliopita. Mapato yalipungua kutoka KShs. bilioni 2.816 kuwa KShs. bilioni 2.762.

Matokeo kutoka shughuli zinazoendeshwa yalipungua kuwa KShs. milioni 8.476 kutoka faida ya KShs. 126.832 katika mwaka uliopita.

Upungufu katika faida hasa unatokana na upatikanaji wa bei duni za majani chai katika mnada wa majani chai wa Mombasa ambazo zilibakia katika kiwango cha chini kabisa.

### Uzalishaji Majani Chai

Katika mwaka,viwanda vyetu vilizalisha tani 11,564 za majani chai yaliotengenezwa ikilinganishwa na tani 11,061 katika mwaka uliopita. Bei ya wastani iliopatikana kwa majani chai ilipungua kuwa USD 1.82 kwa kilo ikilinganishwa na USD 2.26 kwa kilo katika mwaka wa kifedha uliotangulia kutokana hasa na ugavi wa ziada katika biashara. Mdororo unaoendelea katika bei za majani chai umeathiri pakubwa faida yetu na ulisababisha kutolewa tangazo la onyo la faida wakati wa nusu mwaka.

### Uzalishaji Kahawa

Katika mwaka, mashamba yetu yalizalisha tani 1,153 za kahawa ikilinganishwa na tani 1,201 katika mwaka uliopita. Upungufu huu katika uzalishaji unatokana na mvua chache katika mwaka.

Bei ya wastani iliopatikana ya kahawa iliimarika kuwa USD 4.82 kwa kilo ikilinganishwa na USD 3.69 kwa kilo katika mwaka wa kifedha uliotangulia kutokana na utendaji mbaya wa kahawa ya Brazil.

# TAARIFA YA MWENYEKITI (Kuendelea)

## WAJIBU WA KIJAMII

Kampuni inaendelea kushughulika na uhifadhi wa mazingira na inashirikiana na jamii enyeji katika maeneo ya shughuli zetu kupitia kusaidia katika kuhifadhi maeneo asili ya maji na akiba za maji. Tunashiriki kikamilifu katika upandaji wa miti wa kitaifa wa kila mwaka katika kila mwezi wa Juni na tunachangia maelfu ya miche ya miti katika shughuli hii. Kampuni inaendelea zaidi kusisitiza Uekezaji wa Kijamii wa Shirika ambao tunauangalia kuwa wa ufadhili zaidi kuliko Wajibu wa Kijamii wa Shirika, kwa sababu Uekezaji wa Kijamii wa Shirika unarejelea msisitizo wa jumla wa uendelezaji ambao ni muhimu kwa shirika katika shughuli zake za siku kwa siku. Sasini imelenga katika ujenzi wa mkakati unaotoa tofauti inayoendelea na ya kudumu katika maisha ya wafadhiliwa. Kitengo chetu cha ukuzaji na utengenezaji wa majani chai, Kipkebe Limited kinashirikiana na Mfuko wa Fedha wa Zarin na Naushad Merali kufadhili ujenzi wa shule ya upili katika kaunti ya Nyamira. Hali shamba la Mweiga katika mtengo wetu wa kahawa, kupitia uekezaji wake katika mifugo limeanza majaribio ya kuvuna viinitete kutoka kwa aina za wanyama wao wazuri zaidi wa maziwa kwa nia ya kuwafanya ng'ombe hawa wa maziwa wenye thamani ya juu wanapatikana kwa urahisi na bei nafuu na wakulima kwa idadi kubwa zaidi. Juhudi zetu za uhifadhi zinaonekana katika maeneo yote asili ya maji katika mashamba yetu.Miti ya kiasili kutoka bustani zetu za miche imetolewa kwa wakulima wetu halali wa Muungano wa Misitu ya Mvua. Siku ya wakulima ya kila mwaka inaendelea kuwa tukio la kuvutia inayoendeshwa kama kilele cha huduma za nje ambapo wakulima hupata nafasi ya kutembelea kinu kinachosaga kahawa zao. Katika tukio la mwaka huu, Kampuni iligawanya karibu miche 200,000 ya aina ya kahawa ya ubora kwa wakulima waliokuwepo, kama sehemu ya mkakati wetu kuimarisha uzalishaji wa kahawa na mapato ya wakulima.

## JUHUDI ZA KIMKAKATI

Uimarishaji wa kuendelea wa utendaji ndiyo lengo letu na juhudi zetu zimelenga kulinda maslahi ya wenye hisa hali tukiimarisha mapato.Utendaji duni karibuni wa majani chai nyeusi katika masoko ya kimataifa umehitaji ufikiriaji upya, na kama uitikio wa hili, Kampuni imechukua hatua kadhaa zikisaidia kupunguza gharama na mapendekezo ya thamani, yanayojumuisha upitiaji upya wa biashara zinazofanya hasara. Uongezaji thamani ni eneo tunalolifikiria hivi sasa kwa nia ya kuhakikisha kuwa karibu bidhaa zetu zote zinauzwa kama bidhaa zilizoongezwa thamani. Kitengo cha rejareja kimefaulu kuongoza uongozi wetu wa soko wa kahawa Na.1, na kinaendelea kuongeza hisa ya soko inayokua ya chapa za majani chai ya nchini. Kazi yetu ya maduka ya kahawa inatarajiwa kukua tunavyofanya kazi ya kuimarisha utoaji wa huduma na uendelezi wa ladha za kipekee kwa soko linalofaa.

## Shukrani

Ningependa kutoa shukrani kwa Usimamizi wa Sasini na wafanyi kazi kwa kujitolea kwao kwa Kampuni. Pia ningependa kuwashukuru washiriki wenzangu katika Halmashauri kwa usaidizi wao wa kuendelea usiotetereka.

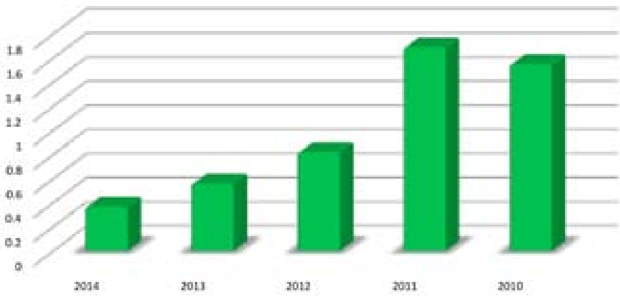
Mwishowe, kwa niaba ya Halmashauri, ningependa kuwashukuru, wenye hisa wetu watukufu kwa imani mliotupatia kama wawakilishi wenu. Kwa usaidizi wenu usioyumba , Sasini itaendelea kujitahidi kuwa na ukuaji unaoendelea kwa manufaa ya washika dau wake wote.

**Dkt. J.B. McFie PhD**
*Mwenyekiti*

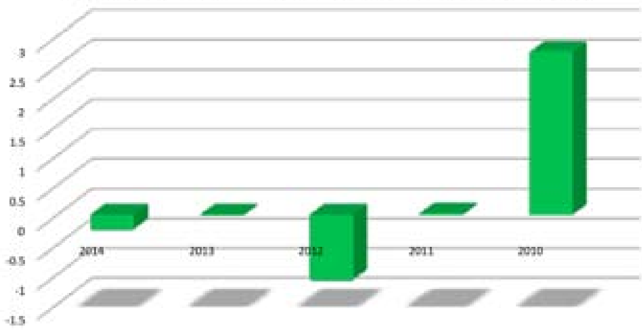
**Tarehe 18 Desemba mwaka 2014.**

# GRAPHICAL HIGHLIGHTS

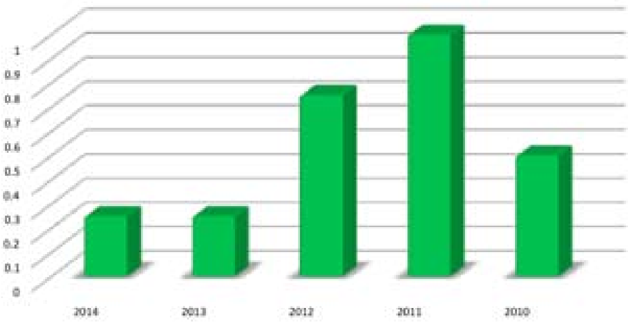
**Earnings/(loss) per share on operating activities (KShs)**



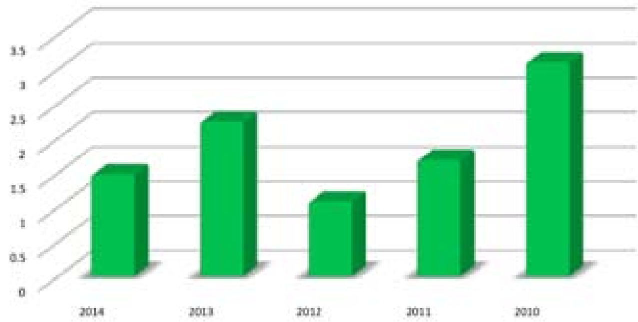

**Earnings/(loss) per share on biological assets (KShs)**



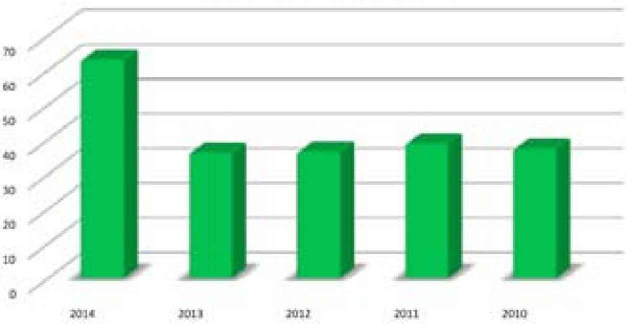

**Dividend per share (KShs)**




**Dividend cover (times covered)**




**Capital employed per share**



# 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 2014, 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 29 and 30, respectively.

## 3. Dividends

The directors recommend the payment of a first and final dividend of KShs. 0.25 (25%) per share (2013 Kshs 0.25) in respect of the year ended 30 September 2014. The dividend, if approved will be paid on 16 March 2015, to the members on record at close of business on 19 February 2015. The register will be closed for one (1) day on 20 February 2015.

## 4. Equity and reserves

The authorized issued share capital of the Company at 30 September 2014 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 33, 34, 35 and 36.

## 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 3 and 4 .

In accordance with the regulation 94 of the articles of Association, Mr. N.N. Merali and Mr. A.H.Butt retire by rotation, and being eligible, offer themselves for re-election.

Pursuant to regulation 100 of the articles of association, Mr. A.R. Kassam, who was appointed on 30th September 2014 to hold office until the conclusion of this annual general meeting, retires, and being eligible, offers himself 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 % | |
|---|---|---|
| | 2014 | 2013 |
| Legend Investments Limited | 41.84 | 41.84 |
| Yana Towers Limited | 12.60 | 12.60 |
| East Africa Batteries Limited | 9.94 | 9.88 |
| Gulamali Ismail | 7.76 | 6.85 |
| | 72.14 | 71.17 |

## 8. Directors' interests

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

| | 2014 | 2013 |
|---|---|---|
| Name of Director | No. of shares | No. of shares |
| Mr. A. H. Butt | 30,300 | 30,300 |
| 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 18 December 2014.

BY ORDER OF THE BOARD

**Mrs. Mary R. Ekaya**
*Company Secretary*

**Date: 18 December 2014**

# REPOTI YA WAKURUGENZI

Wakurugenzi wanafuraha kuwakilisha ripoti yao pamoja na taarifa za hesabu zilizounganishwa na za kando za mwaka ulioishia tarehe 30 Septemba 2014 zinazoonyesha hali ilivyo ya Kundi na Kampuni.

## 1. Shughuli

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

## 2. Matokeo

Matokeo ya Kundi na Kampuni ya mwaka yako katika ukurasa 29 na 30, mtawalia.

## 3. Mgao wa Faida

Wakurugenzi wanapendekeza malipo ya mgao wa kwanza na wa mwisho wa faida ya Kshs. 0.25 (asilimia25) kwa kila hisa ( mwaka 2013 Kshs 0.25) ya mwaka ulioisha tarehe 30 Septemba 2014. Ukiidhinishwa, mgao wa faida utalipwa tarehe 16 Machi 2015, kwa wanachama watakao kuwa kwenye rikodi wakati wa kufunga biashara tarehe 19 Februari 2015. Rejesta litafungwa kwa siku moja tarehe 20 Februari 2015.

## 4. Rasilimali ya Hisa na Akiba

Rasilimali ya hisa za Kampuni zilizoidhinishwa na kutolewa kufikia tarehe 30 Septemba 2014 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 33, 34, 35 na 36.

## 5. Mali, Mtambo na Vifaa

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

## 6. Wakurugenzi

Wakurugenzi waliohudmu katika mwaka huu mpaka tarehe ya ripoti hii wameonyeshwa katika ukurasa za 3 na 4.

Kulingana na Sheria ya 94 ya Kanuni za Kampuni, Bw. N.N. Merali na Bw. A.H. Butt wanastaafu kwa zamu, na kwa kuwa wanastahili, wanajitolea kuchaguliwa tena.

Kufuatana na Sheria ya 100 ya Kanuni za Kampuni, Bw. A. R. Kassam, aliyechaguliwa tarehe 30 Septemba 2014 kushikilia mamlaka mpaka mwisho wa mkutano mkuu wa kila mwaka, anastaafu, na kwa kuwa anastahili, anajitolea kuchaguliwa tena.

## 7. Umilikaji wa Hisa Nyingi

Wakurugenzi wanafahamu kuhusu makampuni yanayofuata yanayomiliki asilimia 5 au zaidi ya rasilimali ya hisa zilizotolewa za Kampuni:

| | Umilikaji wa hisa % | |
|---|---|---|
| | 2014 | 2013 |
| Legend Investment Limited | 41.84 | 41.84 |
| Yana Towers Limited | 12.60 | 12.60 |
| East African Batteries Limited | 9.94 | 9.88 |
| Gulamali Ismail | 7.76 | 6.85 |
| | **72.14** | **71.17** |

## 8. Ushirika wa Wakurugenzi

Ushirika wa wakurugenzi katika hisa za Kampuni ni kama ufuatao:

| | 2014 | 2013 |
|---|---|---|
| Jina la Mkurugenzi | Idadi ya Hisa | Idadi ya Hisa |
| Bw. A. H. Butt | 30,300 | 30,300 |
| Bw. S. N. Merali | 45,900 | 45,900 |

## 9. Wakaguzi

Wakaguzi, KPMG Kenya, wanaendelea na wadhifa wao kufuatana na sehemu 159(2) ya Sheria za Kampuni za Kenya.

## 10. Kuidhinishwa kwa taarifa za kifedha

Taarifa za kifedha ziliidhinishwa katika mkutano wa wakurugenzi uliofanyika tarehe 18 Desemba 2014.

Kwa Amri ya Halmashauri

**Bi. Mary R. Ekaya**
*Katibu wa Kampuni*

Nairobi
8 Desemba 2014

# 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. Sasini Limited recognizes that corporate governance is a shared responsibility and as such accords the shareholders opportunity to exercise their responsibility for safeguarding and propagating their interests by participating in the affairs of the company, as appropriate, to ensure their company is well governed.

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.

Following an independent evaluation of the Company's Governance practices and process, Sasini Limited was awarded the Champion of Governance Award in the agriculture sector, in the premiere event organized by the Institute of Certified Public Secretaries of Kenya in 2011. The award recognized that Sasini demonstrates excellence and integrity in its Governance Systems, Leadership and Management Practices.

## Board of Directors

The composition of the Board is in keeping 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 which is aimed at sustainable value creation 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.

# CORPORATE GOVERNANCE
## FOR THE YEAR ENDED 30 SEPTEMBER 2014 (Continued)

### 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. S. N. Merali
(c) Mr. A. R. Kassam

Mr. A.R. Kassam was co-opted to the Committee on 30th September 2014, to succeed Mr. M. J Ernest who resigned on 25th September 2014.

# CORPORATE GOVERNANCE
## FOR THE YEAR ENDED 30 SEPTEMBER 2014 (Continued)

### 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 organization 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. S. O. Mainda, PhD
(b) Dr. J. B. McFie, PhD
(c) Mr. A. H. Butt

### Directors' Remuneration

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

The aggregate amount of emoluments paid to directors for services rendered during the financial year ended 30 September 2014 are contained in Note 14 and 35 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.

# CORPORATE GOVERNANCE
## FOR THE YEAR ENDED 30 SEPTEMBER 2014 (Continued)

### Social and Environmental Responsibilities (continued)

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.

### Certifications

### (a) Tea

The Group has attained the internationally recognized Rain Forest Alliance (RFA) Certification for its Tea estates. 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's tea operation is ISO 22000 certified. This certification embraces quality management system processes and food safety standards.

### (b) Coffee

In Coffee, the Group has attained the UTZ Certification. 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. Besides, the Coffee operation is Rain Forest Alliance, Fairtrade and ISO 22000 certified.

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 respective County Governments 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 policies 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.

# CORPORATE GOVERNANCE
## FOR THE YEAR ENDED 30 SEPTEMBER 2014 (Continued)

### 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.

### 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 2014:

| | Meetings attended | | |
|---|---|---|---|
| Number of meetings held | Main Board | Audit Committee | Remuneration and Nomination Committee |
| Dr. J. B. McFie | 4 | N/A | 3 |
| Dr M. J. C Mwangi* | 1 | N/A | N/A |
| M. K. Changwony | 3 | N/A | N/A |
| N. N. Merali | 3 | N/A | N/A |
| A. H. Butt | 4 | N/A | 6 |
| S. N. Merali | 3 | 3 | N/A |
| M. J. Ernest** | 3 | 3 | N/A |
| Mrs. L. W. Waithaka | 4 | 4 | N/A |
| S. O. Mainda | 4 | N/A | 6 |

*Resigned 31 December 2013*

***Resigned 26 September 2014*

# CORPORATE GOVERNANCE
## FOR THE YEAR ENDED 30 SEPTEMBER 2014 (Continued)

### Top ten shareholders at 30 September 2014

The ten largest shareholders of the Company as at 30 September 2014 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 African Batteries Limited | 22,658,300 | 9.94 |
| 4 | Gulamali Ismail | 17,700,100 | 7.76 |
| 5 | Gidjoy Investments Limited | 6,230,800 | 2.73 |
| 6 | Karim Jamal | 4,892,041 | 2.15 |
| 7 | Bid Plantations Limited | 2,335,400 | 1.02 |
| 8 | Shardaben Vithaldas Morjaria | 2,111,780 | 0.93 |
| 9 | Joseph Schwartzman | 1,971,000 | 0.86 |
| 10 | Swani Coffee Estate Limited | 1,637,270 | 0.72 |

### Distribution of shareholders

| Shareholding (No. of Shares) | No. of Shares held | No. of Shares held | % Shareholding |
|---|---|---|---|
| Less than 500 | 518,452 | 2,621 | 0.23% |
| 500 - 5,000 | 5,067,076 | 3,341 | 2.22% |
| 5,001 - 10,000 | 2,563,701 | 350 | 1.12% |
| 10,001 – 100,000 | 12,760,647 | 442 | 5.60% |
| 100,001-1,000,000 | 18,075,428 | 66 | 7.93% |
| Above 1,000,000 | 189,070,196 | 14 | 82.90% |
| Total | 228,055,500 | 6,834 | 100% |

**Dr. J.B. McFie, PhD**
*Chairman*

**M.K. Changwony**
*Director*

**Date: 18 December 2014**

# CORPORATE SOCIAL INVESTMENT

The Company is increasingly emphasizing Social Corporate Investment (CSI) which we consider to be much more valuable than CSR, because CSI echoes the general emphasis on sustainability, which is foundational to the organization in its day-to-day operations. Sasini is focused at building a strategy that delivers enduring and lasting difference in the lives of beneficiaries.

The Company continues to be proactive on environmental conservation and continues to support communities with whom we do business in catchment conservation. We donate and plant trees during National three planting days. In particular, the company participated in planting trees during the World Environment day on 5th June 2014 at Nyamiranga High School in Nyamira County.

The company also participated in the national immunization campaign, polio campaign and donated text books in the continued support of education in Nyamira County. In addition, Kipkebe Limited is partnering with Zarin and Naushad Merali Foundation in sponsoring the construction of a Secondary school in Nyamira County. Mweiga Limited through its investment in livestock has begun piloting on embryo harvest from it best dairy animal genotypes with a view of making these high value dairy cows available to farmers in much larger quantities. Our conservation footprints are evident in all water catchment areas within our estates. Indigenous trees from our nurseries are shared with our Rain Forest Alliance certified farmers. The annual farmers' open day continues to be an annual event conducted as a culmination of the extension services where the farmers get the opportunity to visit the facility that mills their coffees and share their experiences. During the last event, farmers were issued with 200,000 improved coffee seedlings as part of our strategy to improve farmer's future earnings.

Farmers' Open Day opening prayer.

Coffee seedlings for distribution to farmers.

Donation of books during borabu education/prize giving day

Farmers attending the Farmers' Open Day.

# 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 29 to 81 which comprise the statements of financial positions of the group and of the company as at 30 September 2014, 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 18 December 2014 and were signed on its behalf by:

James Boyd McFie

**Dr. J.B. McFie, PhD**
*Chairman*

**M.K. Changwony**
*Director*

KPMG Kenya
Certified Public Accountants
8th Floor, ABC Towers
Waiyaki Way
P.O. Box 40612 00100 GPO
Nairobi, Kenya

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

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

## *Report on the financial statements*

We have audited the consolidated and separate financial statements of Sasini Limited set out on pages 29 to 81 which comprise the statements of financial position of the group and the company as at 30 September 2014, 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 27, 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 2014, 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.

*The Engagement Partner responsible for the audit resulting in this independent auditors' report is CPA Jacob Gathecha – P/1610.*

KPMG Kenya

Date: 18 December 2014

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
## FOR THE YEAR ENDED 30 SEPTEMBER 2014

| | Note | 2014 KShs'000 | 2013 KShs'000 |
|---|---|---|---|
| Revenue | 8 | 2,762,547 | 2,816,834 |
| Cost of sales | 9 | (2,077,482) | (2,043,694) |
| **Gross profit** | | **685,065** | **773,140** |
| Losses arising from changes in fair value of biological assets less costs to sell | 20(a) | (50,198) | (31,518) |
| Other income | 10 | 238,675 | 119,728 |
| **Total operating income** | | **873,542** | **861,350** |
| Administration and establishment expenses | 11 | (762,819) | (692,873) |
| Selling and distribution costs | 12 | (23,392) | (23,747) |
| **Results from operating activities** | | **87,331** | **144,730** |
| Finance income | 13(a) | 2,199 | 20,308 |
| Finance costs | 13(b) | (27,737) | (6,631) |
| **Net finance (costs)/income** | 13 | **(25,538)** | **13,677** |
| **Profit before tax** | 14 | **61,793** | **158,407** |
| Tax expense | 15(a) | (16,372) | (66,718) |
| **Profit for the year** | | **45,421** | **91,689** |
| **Other comprehensive income** | | | |
| **Items that will not be reclassified subsequently to profit or loss** | | | |
| Revaluation gain/(reversal) net of tax | | 5,674,530 | (38,074) |
| Remeasurement of post-employment benefits | | 18,106 | - |
| **Total comprehensive income** | | **5,738,057** | **53,615** |
| **Profit attributable to:** | | | |
| Owners of the company | | 23,657 | 122,704 |
| Non-controlling interest | | 21,764 | (31,015) |
| | | 45,421 | 91,689 |
| **Total comprehensive income attributable to:** | | | |
| Owners of the company | | 5,595,964 | 84,630 |
| Non-controlling interest | | 142,093 | (31,015) |
| | | 5,738,057 | 53,615 |
| **Profit attributable to the owners of company is made up as follows:** | | | |
| Profit arising from operating activities | | 85,476 | 126,832 |
| Losses arising from changes in fair value of biological assets after tax | | (61,819) | (4,128) |
| | | 23,657 | 122,704 |
| **Earnings per share:** | | | |
| Basic and diluted (KShs) | 16 | 0.10 | 0.54 |
| Dividend per share (KShs) | 17 | 0.25 | 0.25 |

The notes set out on pages 39 to 81 form an integral part of the financial statements.

# COMPANY STATEMENT OF COMPREHENSIVE INCOME
## FOR THE YEAR ENDED 30 SEPTEMBER 2014

| | Note | 2014 KShs'000 | 2013 KShs'000 |
|---|---|---|---|
| Revenue | 8 | 723,432 | 478,897 |
| Cost of sales | 9 | (477,260) | (370,756) |
| **Gross profit** | | **246,172** | **108,141** |
| Gains arising from changes in fair value of biological assets less costs to sell | 20(b) | 379,100 | 96,017 |
| Other income | 10 | 230,699 | 183,271 |
| **Total operating income** | | **855,971** | **387,429** |
| Administration and establishment expenses | 11 | (388,806) | (287,102) |
| **Results from operating activities** | | **467,165** | **100,327** |
| Finance income | 13(a) | 1,001 | 18,757 |
| Finance costs | 13(b) | (25,443) | (5,330) |
| **Net finance (costs)/income** | 13 | **(24,442)** | **13,427** |
| **Profit before tax** | 14 | **442,723** | **113,754** |
| Tax expense | 15(a) | (136,542) | (39,792) |
| **Profit for the year** | | **306,181** | **73,962** |
| **Other comprehensive income** | | | |
| **Items that will not be reclassified subsequently to profit or loss** | | | |
| Revaluation gain/(reversal) net of tax | | 4,409,658 | (36,856) |
| Remeasurment of post-employment benefits | | 1,714 | - |
| **Total comprehensive income** | | **4,717,553** | **37,106** |
| **Profit is made up as follows:** | | | |
| Profit arising from operating activities | | 40,812 | 6,750 |
| Gains arising from changes in fair value of biological assets after tax | | 265,369 | 67,212 |
| | | 306,181 | 73,962 |
| **Earnings per share:** | | | |
| Basic and diluted (KShs) | 16 | 1.34 | 0.32 |
| Dividend per share (KShs) | 17 | 0.25 | 0.25 |

The notes set out on pages 39 to 81 form an integral part of the financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION
## AS AT 30 SEPTEMBER 2014

| ASSETS | Note | 2014 KShs'000 | 2013 KShs'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 18(a) | 8,362,361 | 2,343,387 |
| Capital work-in-progress | 18(c) | 29,678 | 39,934 |
| Intangible assets | 19 | 8,210 | 11,686 |
| Biological assets | 20(a) | 5,240,576 | 5,290,774 |
| Prepaid leases on leasehold land | 21 | 20,074 | 20,316 |
| Available-for-sale financial asset | 22 | 525 | 525 |
| Deferred tax asset | 30 | 23,070 | 52,699 |
| | | **13,684,494** | **7,759,321** |
| **Current assets** | | | |
| Inventories | 24 | 318,063 | 370,264 |
| Trade and other receivables | 25 | 582,494 | 518,334 |
| Amounts due from related companies | 26 | 1,198 | 1,092 |
| Tax recoverable | 15(b) | 17,463 | 129,991 |
| Cash and cash equivalents | 27 | 325,865 | 275,364 |
| | | **1,245,083** | **1,295,045** |
| **TOTAL ASSETS** | | **14,929,577** | **9,054,366** |
| **EQUITY AND LIABILITIES** | | | |
| **Capital and reserves (Pages 33 & 34)** | | | |
| Share capital | 28 | 228,055 | 228,055 |
| Non-distributable reserves | 29 | 10,223,449 | 4,745,816 |
| Distributable reserves | 29 | 1,427,709 | 1,309,162 |
| | | 11,879,213 | 6,283,033 |
| Non-controlling interest | 29 | 241,755 | 99,878 |
| Total equity | | 12,120,968 | 6,382,911 |
| **Non-current liabilities** | | | |
| Deferred tax liability | 30 | 2,003,249 | 1,678,365 |
| Post-employment benefits | 32 | 270,520 | 261,841 |
| | | 2,273,769 | 1,940,206 |
| **Current liabilities** | | | |
| Bank loans | 31 | - | 175,491 |
| Post-employment benefits | 32 | 10,373 | 19,070 |
| Amounts due to related parties | 26 | 681 | - |
| Trade and other payables | 33 | 522,368 | 536,688 |
| Tax payable | 15 (b) | 1,418 | - |
| | | 534,840 | 731,249 |
| **TOTAL EQUITY AND LIABILITIES** | | **14,929,577** | **9,054,366** |

The financial statements set out on pages 29 to 81 were approved by the Board of Directors on 18 December 2014 and signed on its behalf by:

**Dr. J.B. McFie, PhD**
*Chairman*

**M.K. Changwony**
*Director*

The notes set out on pages 39 to 81 form an integral part of the financial statements.

# COMPANY STATEMENT OF FINANCIAL POSITION
## AS AT 30 SEPTEMBER 2014

| ASSETS | Note | 2014 KShs'000 | 2013 KShs'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 18(b) | 5,812,692 | 1,430,257 |
| Intangible assets | 19 | 6,330 | 3,565 |
| Biological assets | 20(b) | 1,942,322 | 1,563,222 |
| Prepaid leases on leasehold land | 21 | 7,760 | 7,886 |
| Investment in subsidiary companies | 23 | 172,697 | 172,697 |
| | | 7,941,801 | 3,177,627 |
| **Current assets** | | | |
| Inventories | 24 | 78,192 | 49,120 |
| Trade and other receivables | 25 | 292,425 | 234,541 |
| Amounts due from related companies | 26 | 251,535 | 222,697 |
| Tax recoverable | 15(b) | - | 48,873 |
| Cash and cash equivalents | 27 | 144,813 | 203,695 |
| | | 766,965 | 758,926 |
| **TOTAL ASSETS** | | **8,708,766** | **3,936,553** |
| **EQUITY AND LIABILITIES** | | | |
| **Capital and reserves (Pages 35 & 36)** | | | |
| Share capital | 28 | 228,055 | 228,055 |
| Non - distributable reserves | 29 | 6,798,306 | 2,132,234 |
| Distributable reserves | 29 | 399,834 | 348,353 |
| Total equity | | 7,426,195 | 2,708,642 |
| **Non-current liabilities** | | | |
| Deferred tax liability | 30 | 638,246 | 543,258 |
| Post-employment benefits | 32 | 21,094 | 18,496 |
| | | 659,340 | 561,754 |
| **Current liabilities** | | | |
| Bank loans | 31 | - | 175,491 |
| Post-employment benefits | 32 | - | 969 |
| Amounts due to related companies | 26 | 357,805 | 246,631 |
| Trade and other payables | 33 | 264,008 | 243,066 |
| Tax payable | 15(b) | 1,418 | - |
| | | 623,231 | 666,157 |
| **TOTAL EQUITY AND LIABILITIES** | | **8,708,766** | **3,936,553** |

The financial statements set out on pages 29 to 81 were approved by the Board of Directors on 18 December 2014 and signed on its behalf by:

**Dr. J.B. McFie, PhD**
*Chairman*

**M.K. Changwony**
*Director*

The notes set out on pages 39 to 81 form an integral part of the financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 30 SEPTEMBER 2014

| 2014: | Share capital KShs'000 | Capital reserve KShs'000 | Revaluation reserve KShs'000 | Biological assets fair value reserve KShs'000 | Defined benefit 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 2013** | **228,055** | **98,530** | **1,815,574** | **2,831,712** | **-** | **1,309,162** | **-** | **6,283,033** | **99,878** | **6,382,911** |
| **Total comprehensive income for the year** | | | | | | | | | | |
| Profit for the year | - | - | - | - | - | 23,657 | - | 23,657 | 21,764 | 45,421 |
| **Other comprehensive income** | | | | | | | | | | |
| Appropriation of fair value gain on biological assets | - | - | - | (61,819) | - | 61,819 | - | - | - | - |
| Revaluation gain | - | - | 5,955,468 | - | - | - | - | 5,955,468 | 171,682 | 6,127,150 |
| Deferred tax on revaluation | - | - | (401,115) | - | - | - | - | (401,115) | (51,505) | (452,620) |
| Remeasurement of post employment benefits net of tax | - | - | - | - | 17,954 | - | - | 17,954 | 152 | 18,106 |
| Excess depreciation on revaluation | - | - | (46,936) | - | - | 46,936 | - | - | - | - |
| Deferred tax on revaluation | - | - | 14,081 | - | - | (14,081) | - | - | - | - |
| **Total comprehensive income for the year** | **-** | **-** | **5,521,498** | **(61,819)** | **17,954** | **118,331** | **-** | **5,595,964** | **142,093** | **5,738,057** |
| **Transactions with owners of the company recorded directly in equity** | | | | | | | | | | |
| Proposed final 2014 dividend | - | - | - | - | - | (57,014) | 57,014 | - | - | - |
| Reclassifications to non controlling interest | - | - | - | - | - | 216 | - | 216 | (216) | - |
| **Total distribution to owners of the company** | **-** | **-** | **-** | **-** | **-** | **(56,798)** | **57,014** | **216** | **(216)** | **-** |
| **At 30 September 2014** | **228,055** | **98,530** | **7,337,072** | **2,769,893** | **17,954** | **1,370,695** | **57,014** | **11,879,213** | **241,755** | **12,120,968** |

The notes set out on pages 39 to 81 form an integral part of the financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 30 SEPTEMBER 2014 (CONTINUED)

| 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** | | | | | | | | | |
| Profit/(loss) for the year | - | - | - | - | 122,704 | - | 122,704 | (31,015) | 91,689 |
| **Other comprehensive income** | | | | | | | | | |
| Reversal of revaluation gain (Note 18(a)) | - | - | (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 39 to 81 form an integral part of the financial statements.

# COMPANY STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 30 SEPTEMBER 2014

| 2014: | Share capital KShs'000 | Capital reserve KShs'000 | Revaluation reserve KShs'000 | Biological assets fair value reserve KShs'000 | Defined benefit reserve KShs'000 | Retained dividends KShs'000 | Proposed dividends KShs'000 | Total equity KShs'000 |
|---|---|---|---|---|---|---|---|---|
| At 1 October 2013 | 228,055 | 40,594 | 1,109,899 | 981,741 | - | 348,353 | - | 2,708,642 |
| **Total comprehensive income for the year** | | | | | | | | |
| Profit for the year | - | - | - | - | - | 306,181 | - | 306,181 |
| **Other comprehensive income** | | | | | | | | |
| Appropriation of fair value on biological assets net of tax | - | - | - | 265,368 | - | (265,368) | - | - |
| Revaluation gain | - | - | 4,423,047 | - | - | - | - | 4,423,047 |
| Deferred tax on revaluation | - | - | (13,389) | - | - | - | - | (13,389) |
| Remeasurement of post employmenmt benefits | - | - | - | - | 2,449 | - | - | 2,449 |
| Deferred tax on remeasurement of post employmenmt benefits | - | - | - | - | (735) | - | - | (735) |
| Excess depreciation on revaluation | - | - | (15,240) | - | - | 15,240 | - | - |
| Deferred tax on revaluation | - | - | 4,572 | - | - | (4,572) | - | - |
| **Total comprehensive income for the year** | **-** | **-** | **4,398,990** | **265,368** | **1,714** | **51,481** | **-** | **4,717,553** |
| **Transactions with owners of the company recorded directly in equity** | | | | | | | | |
| Proposed final 2014 dividend | - | - | - | - | - | (57,014) | 57,014 | - |
| **At 30 September 2014** | **228,055** | **40,594** | **5,508,889** | **1,247,109** | **1,714** | **342,820** | **57,014** | **7,426,195** |

The notes set out on pages 39 to 81 form an integral part of the financial statements.

## COMPANY STATEMENT OF CHANGES IN EQUITY
### FOR THE YEAR ENDED 30 SEPTEMBER 2014 (CONTINUED)

| 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 |
| **Other comprehensice income** | | | | | | | |
| 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 39 to 81 form an integral part of the financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED 30 SEPTEMBER 2014

| | Note | 2014 KShs'000 | 2013 KShs'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash flows generated from operations | 34 | 324,180 | 459,957 |
| Income taxes paid | 15(b) | (9,022) | (271,296) |
| **Net cash generated from operating activities** | | **315,158** | **188,661** |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | 18(a) | (66,753) | (211,243) |
| Purchase of intangible assets | 19 | (8,175) | (1,210) |
| Capital work-in-progress | | 10,256 | (2,057) |
| Interest income | 13 | 1,621 | 1,639 |
| Proceeds on sale of property, plant and equipment | | 905 | 22,307 |
| **Net cash used in investing activities** | | **(62,146)** | **(190,564)** |
| **Cash flows from financing activities** | | | |
| Interest paid | 13 | (12,984) | (4,651) |
| Proceeds from bank loan | | - | 175,491 |
| Loan repayments | | (175,491) | (55,703) |
| Dividends paid on ordinary shares | | - | (114,028) |
| **Net cash (used in) / from financing activities** | | **(188,475)** | **1,109** |
| **Net increase / (decrease) in cash and cash equivalents** | | **64,537** | **(794)** |
| Cash and cash equivalents at the beginning of the year | | 275,364 | 268,481 |
| Net unrealised foreign exchange gain | | (14,036) | 7,677 |
| **Cash and cash equivalents at the end of the year** | **27** | **325,865** | **275,364** |

The notes set out on pages 39 to 81 form an integral part of the financial statements.

# COMPANY STATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED 30 SEPTEMBER 2014

| | Note | 2014 KShs'000 | 2013 KShs'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash flows generated from operations | 34 | 169,537 | 219,812 |
| Income taxes paid | 15(b) | (5,387) | (82,700) |
| **Net cash generated from operating activities** | | **164,150** | **137,112** |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | 18(b) | (17,685) | (26,581) |
| Interest income | 13 | 423 | 7 |
| Purchase of intangible assets | 19 | (6,458) | (148) |
| Proceeds on sale of property, plant and equipment | | 905 | 19,123 |
| **Net cash used in investing activities** | | **(22,815)** | **(7,599)** |
| **Cash flows from financing activities** | | | |
| Interest paid | 13 | (12,933) | (4,618) |
| Proceeds from bank loan | | - | 175,491 |
| Loan repayments | | (175,491) | (55,703) |
| Dividend paid on ordinary shares | | - | (114,028) |
| **Net cash (used in) / from financing activities** | | **(188,424)** | **1,142** |
| **Net (decrease) / increase in cash and cash equivalents** | | **(47,089)** | **130,655** |
| Cash and cash equivalents at the beginning of the year | | 203,695 | 65,282 |
| Net unrealised foreign exchange gain | | (11,793) | 7,758 |
| **Cash and cash equivalents at the end of the year** | **27** | **144,813** | **203,695** |

The notes set out on pages 39 to 81 form an integral part of the financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 SEPTEMBER 2014

## 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 18 December 2014.

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 the manner required by the Kenya Compamies 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 SEPTEMBER 2014 (Continued)

## 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 2014. The subsidiaries are shown in Note 23.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 SEPTEMBER 2014 (Continued)

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (d) Taxation (Continued)

***(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.

***(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

***(i) Measurement and recognition***

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

***(ii) Classification***

The Group classifies its financial assets into loans and receivables and available for sale assets. Management determines the appropriate classification of its financial instruments at the time of purchase and re-evaluates its portfolio on a regular basis to ensure that all financial assets are appropriately classified.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 SEPTEMBER 2014 (Continued)

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (f) Financial instruments (Continued)

#### *(ii) Classification* (Continued)

*Loans and receivables*

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 trade and other receivables, cash and bank balances and balances due from group companies.

These are measured at amortised cost using the effective interest method, less any impairment losses.

*Available-for-sale assets*

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.

#### *(iii) De-recognition*

A financial asset is derecognised when the Group loses control over the contractual rights that comprise that asset. This occurs when the rights are realised, expire or are surrendered. A financial liability is derecognised when it is extinguished, cancelled or expires.

#### *(iv) Offsetting of financial assets and liabilities*

Financial assets and liabilities are offset and the net amount reported on the statement of financial position when there is a legally enforceable right to set-off the recognised amount and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

#### *(v) Fair value of financial assets and liabilities*

Fair value of financial assets and financial liabilities is the price that would be received to sell an asset or paid to transfer a liability respectively in an orderly transaction between market participants at the measurement date.

### (g) Impairment

#### *(i) Financial assets*

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicate that one or more events have had a negative effect on the estimated future cash flows of that asset.

In assessing impairment, the Group considers impairment at both individual and collective level. All individually significant assets are individually assessed for impairment. Assets that are not individually impaired are assessed collectively. Collective assessment is carried out by grouping together assets with similar credit characteristics. Impairment loss is calculated as the difference between the assets carrying amount and present value of estimated future cash flows discounted at original effective interest rate.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

#### *(ii) Impairment of non financial assets*

The carrying amounts of the Group's assets, other than defined benefits asset, deferred tax, biological assets and inventories, are reviewed at each financial reporting date to determine whether there is any indication of impairment. If any such indication exists then the assets' 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 inflows that largely are independent from other assets and groups. Impairment losses are recognised in the 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 SEPTEMBER 2014 (Continued)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)
#### (h) 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.

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.

#### (i) 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.

#### (j) Biological assets

Biological assets are measured on initial recognition and at each reporting date at fair value less cost to sell. Costs 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 SEPTEMBER 2014 (Continued)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (j) Biological assets (Continued)

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.

#### (k) 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.

#### (l) Leases

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

***(i) Group as a lessee***

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

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

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

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

***(ii) Group as a lessor***

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

#### (m) 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.

#### (n) 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 SEPTEMBER 2014 (Continued)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (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 employment benefit plan which an entity pays fixed contribution into a separate entity and has no legal or constructive obligation to pay further amounts. The expense is recognised in profit or loss.
Contributions from the Group, at a rate of 12.5% of the basic salary of each employee, are expensed in the year the services are rendered and paid over to a separate trustee administered fund.

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

***(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.

***(iv) Short term employee benefits***

Short term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

#### (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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 SEPTEMBER 2014 (Continued)

### 3. SIGNIFICANT ACCOUNTING POLICIES

(s) Finance income and finance costs (Continued)

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.

(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 directors are in the process of assessing the impact of these standards on the group and parent entity's financial statements.

***(i) IFRS 9: Financial Instruments (2010)***

It replaces parts of IAS 39 - Financial Instruments, Recognition and Measurement that relates to classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 requires financial assets to be classified, at initial recognition as either measured at fair value or at amortised cost. The classification depends on the entity's business model for managing its financial instruments and the characteristics of the contractual cash flows of the instrument. For financial liabilities, the standard retains most of the requirements of IAS 39. The main change is that, in cases where the fair value option is applied for financial liabilities, the part of a fair value change arising from a change in an entity's own credit risk is recorded in other comprehensive income rather than in the profit or loss, unless this creates an accounting mismatch.
The standard is effective for periods beginning on or after 1 January 2018 and will have an impact on the Group.

***(ii) Amendments to IAS 32: Offsetting Financial Assets and Financial Liabilities***

The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32, mainly by clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement. These amendments are effective for annual periods beginning on or after 1 January 2014, with retrospective application.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 SEPTEMBER 2014 (Continued)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) New standards and interpretations not yet adopted (Continued)

***(iii) Amendments to IAS 36: Recoverable Amount Disclosures for Non-Financial Assets (2013)***

The amendments reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. They are effective for annual periods beginning on or after 1 January 2014.

***(iv) Amendments to IAS 39 titled Novation of Derivatives and Continuation of Hedge Accounting (June 2013)***

The amendments permit the continuation of hedge accounting in a situation where a counterparty to a derivative designated as a hedging instrument is replaced by a new central counterparty (known as 'novation of derivatives' ), as a consequence of laws or regulations, if specific conditions are met. The amendment is effective for the period beginning 1 January 2014.

***(v) IFRIC 21: Levies (2013)***

The interpretation provides guidance on when to recognise a liability for a levy imposed by a government. The obligating event for the recognition of a liability is the activity that triggers the payment of the levy in accordance with the relevant legislation. It also provides guidance on recognition of a liability to pay levies: the liability is recognised either progressively if the obligating event occurs over a period of time, or when the minimum threshold is reached if an obligation is triggered on reaching that minimum threshold. The interpretation is effective for annual periods beginning on or after 1 January 2014.

***(vi) Defined benefit plans – Employee contributions (Amendments to IAS 19)***

The amendments clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service.

The amendments are effective for annual periods beginning on or after 1 July 2014, with earlier application being permitted.

***(vii) Amendments to IAS 16 and IAS 38: Clarification of* acceptable methods of depreciation and amortisation**

The amendments prohibits use of revenue based methods of depreciation and amortisation on property, plant and equipment and intangible assets respectively. . The prohibition can only be overcome in intangible assets when revenue and the consumption of economic benefits of the intangible assets are highly correlated, or when the intangible asset is expressed as a measure of revenue.

The amendments are effective for annual periods beginning on or after 1 July 2014, with earlier application being permitted.

***(viii)* IAS 15: Revenue from contracts with customers**

The standard replaces IAS 11 Construction contracts, IAS 18 revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC 31 Revenue – Barter of Transactions involving Advertising Services.

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at point in time or over time. The model features a contract based five step analysis of transactions to determine whether, how much and when revenue is recognised.

The amendments are effective for annual periods beginning on or after 1 January 2017, with earlier application being permitted.

***(ix) Amendments to IAS 41- Bearer Plants (Amendments to IAS 16 and IAS 41)***

Bearer Plants (Amendments to IAS 16 and IAS 41) was issued in June 2014. The amendments change the financial reporting for bearer plants such as grape vines, rubber trees and oil palms. The amendment requires that bearer plants should be accounted for in the same way as property, plant and equipment in IAS 16 Property, Plant and Equipment, instead of IAS 41 while the produce growing on bearer plants will remain within the scope of IAS 41.

The new requirements are effective from 1 January 2016, with earlier adoption permitted.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 SEPTEMBER 2014 (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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 SEPTEMBER 2014 (Continued)

## 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 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 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 SEPTEMBER 2014 (Continued)

## 5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)
(a) Market risk (Continued)

***(i) Interest rate risk*** (Continued)

The interest rate profile of the group's interest bearing financial instruments as at 30 September 2014 and 2013 together with the interest rates on that date was as follows:

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2014 KShs'000** | **2013 KShs'000** | **2014 KShs'000** | **2013 KShs'000** |
| Interest income | 1,621 | 1,639 | 423 | 7 |
| Interest expense | (12,984) | (4,651) | (12,933) | (4,618) |
| **Net interest expense** | **(11,363)** | **(3,012)** | **(12,510)** | **(4,611)** |

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** |
| 2014 | 10.00% | (1,136) | (795) | (1,251) | (876) |
| | -10.00% | 1,136 | 795 | 1,251 | 876 |
| 2013 | 10.00% | (301) | (211) | (461) | (323) |
| | -10.00% | 301 | 211 | 461 | 323 |

***(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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 SEPTEMBER 2014 (Continued)

## 5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)
(a) Market risk (Continued)

***(ii) Currency risk*** (Continued)

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

| | 2014 KShs | 2013 KShs |
|---|---|---|
| **USD** | 89.28 | 86.54 |
| **GBP** | 141.15 | 139.76 |

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:**

| **2014:** | **USD** | **GBP** | **Total** |
|---|---|---|---|
| **Assets** | | | |
| Trade and other receivables | 198,410 | - | 198,410 |
| Cash and cash equivalents | 211,038 | 515 | 211,553 |
| **At 30 September** | **409,448** | **515** | **409,963** |
| Liabilities | | | |
| Trade and other payables | 19,790 | - | 19,790 |
| Borrowings | - | - | - |
| **At 30 September** | **19,790** | **-** | **19,790** |
| **Net balance sheet position** | **389,658** | **515** | **390,173** |

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

| **2013:** | **USD** | **GBP** | **Total** |
|---|---|---|---|
| **Assets** | | | |
| Trade and other receivables | 182,691 | - | 182,691 |
| Cash and cash equivalents | 113,706 | 213 | 113,919 |
| **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** | **196,471** | **-** | **196,471** |
| **Net balance sheet position - 2013** | **99,926** | **213** | **100,139** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 SEPTEMBER 2014 (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** | **2014 USD** | **2013 USD** |
|---|---|---|
| Trade and other receivables | 121,889 | 95,653 |
| Cash and cash equivalents | 100,335 | 76,516 |
| **At 30 September** | **222,224** | **172,169** |
| **Liabilities** | | |
| Trade and other payables | 17,043 | 46,264 |
| Borrowings | - | 103,073 |
| **At 30 September** | **17,043** | **149,337** |
| **Net balance sheet position** | **205,181** | **22,832** |

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

| | | **Group** | | **Company** | |
|---|---|---|---|---|---|
| | **Change in currency rate** | **Effect on profit before tax KShs' 000** | **Effect on equity KShs' 000** | **Effect on profit before tax KShs' 000** | **Effect on equity** KShs' 000 |
| USD | | | | | |
| 2014 | 10.00% | 38,966 | 27,276 | 20,518 | 14,362 |
| | -10.00% | (38,966) | (27,276) | (20,518) | (14,362) |
| 2013 | 10.00% | 9,993 | 6,995 | 2,283 | 1,598 |
| | -10.00% | (9,993) | (6,995) | (2,283) | (1,598) |
| GBP | | | | | |
| 2014 | 10.00% | 52 | 36 | - | - |
| | -10.00% | (52) | (36) | - | - |
| 2013 | 10.00% | 21 | 15 | - | - |
| | -10.00% | (21) | (15) | - | - |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 SEPTEMBER 2014 (Continued)

## 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:

| | 2014 KShs | 2013 KShs |
|---|---|---|
| **Coffee** | 417 | 316 |
| **Tea** | 158 | 191 |

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 | | | | | |
| 2014 | 10.00% | 65,101 | 45,571 | 54,699 | 38,289 |
| | -10.00% | (65,101) | (45,571) | (54,699) | (38,289) |
| 2013 | 10.00% | 39,598 | 27,719 | 29,038 | 20,327 |
| | -10.00% | (39,598) | (27,719) | (29,038) | (20,327) |
| Tea | | | | | |
| 2014 | 10.00% | 180,701 | 126,491 | - | - |
| | -10.00% | (180,701) | (126,491) | - | - |
| 2013 | 10.00% | 209,824 | 146,877 | - | - |
| | -10.00% | (209,824) | (146,877) | - | - |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 SEPTEMBER 2014 (Continued)

## 5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)
### (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.

The Group's exposure to credit risk is summarised in the table below:

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | KShs'000 | KShs'000 | KShs'000 | KShs'000 |
| Available-for-sale financial asset | 525 | 525 | - | - |
| Trade receiveables-Net | 225,284 | 236,640 | 150,784 | 115,108 |
| Amounts due from related companies | 1,198 | 1,092 | 251,535 | 222,697 |
| Cash and cash equivqlents | 325,865 | 275,364 | 144,813 | 203,695 |
| | **552,872** | **513,621** | **547,132** | **541,500** |

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

### (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:

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 SEPTEMBER 2014 (Continued)

## 5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)
(c) Liquidity risk (Continued)

Group:

| 2014 | 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 | 308,154 | 103,503 | 102,797 | 7,914 | 522,368 |
| Due to related companies | - | 681 | - | - | 681 |
| | **308,154** | **104,184** | **102,797** | **7,914** | **523,049** |

| 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 | 432,880 | 65,855 | 37,953 | - | 536,688 |
| Bank Loan | 17,179 | 51,536 | 106,776 | - | 175,491 |
| | **450,059** | **117,391** | **144,729** | **-** | **712,179** |

**Company:**

| 2014 | 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 | 140,716 | 101,100 | 15,073 | 7,119 | 264,008 |
| Due to related companies | - | - | 357,805 | - | 357,805 |
| | **140,716** | **101,100** | **372,875** | **7,119** | **621,813** |

| 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** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 SEPTEMBER 2014 (Continued)

## 5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)
### (d) Operational risk

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

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

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

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

### (e) Capital management

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

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

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

## 6. 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 SEPTEMBER 2014 (Continued)

## 6. DETERMINATION OF FAIR VALUES (Continued)

Level 1
Included in level 1 category are financial assets and liabilities that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

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**

| **2014:** | **Level 1 KShs'000** | **Level 2 KShs'000** | **Level 3 KShs'000** | **Total fair value KShs'000** |
|---|---|---|---|---|
| **Financial assets designated at fair value through profit and loss** | | | | |
| Investment in unquoted shares | - | - | 525 | 525 |

| **2013:** | **Level 1 KShs'000** | **Level 2 KShs'000** | **Level 3 KShs'000** | **Total fair value KShs'000** |
|---|---|---|---|---|
| **Financial assets designated at fair value through profit and loss** | | | | |
| Investment in unquoted shares | - | - | 525 | 525 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 SEPTEMBER 2014 (Continued)

## 6. DETERMINATION OF FAIR VALUES (Continued)

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

The following table shows an analysis of non-financial assets held at fair value as at 30 September 2014 and 2013:

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 KShs'000 | 2013 KShs'000 | 2014 KShs'000 | 2013 KShs'000 |
| Non-financial assets | | | | |
| Property, plant and equipment | 8,362,361 | 2,343,387 | 5,812,692 | 1,430,257 |
| Biological assets | 5,240,576 | 5,290,774 | 1,942,322 | 1,563,222 |
| **Total assets** | **13,602,937** | **7,634,161** | **7,755,014** | **2,993,479** |

On 30 September 2014, Knight Frank Valuers Limited, professionally valued the Group's building and freehold land on an open market value basis. The Valuers used the Direct Capital Comparison method of valuation for valuation of land. The assumption which is that the value of the appraised property is equal to the value of a known comparable property, with due allowance being given for differences factors between the appraised property and the compared property such as the condition, location, level and amount of services provided, accessibility, plot size, planning and zoning regulations, transacting parties, motive of sale and tenure and the unexpired term. Fully developed properties; for example depots have been valued on the basis of sales of similar developed properties in the particular locations with due regard to their rental income potential. Buildings or any other fixture or improvement on land whose revenue contribution cannot be assessed easily or where the structures are dilapidated, have been valued on depreciated replacement cost basis.

Following the revaluation, the movement in property plant and equipment has been disclosed in note 18.

The fair value of the biological asset is determined based on the present value of expected net cash flows derived from sale of agricultural produce, discounted at the pretax discount rate. The details of the valuation inputs of the biological assets have been disclosed in note 20.

The fair value measurement of revalued items of property plant and equipment and the biological assets have been categorized as a level 3 fair value based on the inputs to the valuation techniques.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 SEPTEMBER 2014 (Continued)

## 7. SEGMENT INFORMATION

Segment information is as presented below:

| 30 September 2014: | Tea KShs '000 | Coffee KShs '000 | Others KShs '000 | Consolidated KShs '000 |
|---|---|---|---|---|
| **Revenue** | | | | |
| Sales to external customers | 1,807,007 | 651,007 | 304,533 | 2,762,546 |
| Other income | 62,520 | 174,211 | 1,944 | 238,675 |
| | **1,869,527** | **825,218** | **306,477** | **3,001,222** |
| **Results** | | | | |
| Operating results on operating activities | 100,677 | 37,807 | (955) | 137,529 |
| Operating results on biological assets | (683,388) | 633,190 | - | (50,198) |
| **Operating results before tax** | **(582,711)** | **670,997** | **(955)** | **87,331** |
| **Assets and liabilities** | | | | |
| Segment assets | 3,392,906 | 10,539,667 | 997,004 | 14,929,577 |
| Segment liabilities | 1,344,598 | 1,449,137 | 14,874 | 2,808,609 |
| **Other segment information** | | | | |
| Capital expenditure - tangible fixed assets | 37,885 | 24,770 | 4,098 | 66,753 |
| Depreciation and amortisation of leasehold land and of intangible assets | 92,074 | 83,447 | 11,192 | 186,713 |
| Average number of employees | 3,561 | 1,856 | 171 | 5,588 |
| **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 | 119,728 |
| | **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 | 26,507 | 56,137 | 211,243 |
| Depreciation, amortisation of leasehold land and of intangible assets | 120,293 | 67,013 | 33,244 | 220,580 |
| Average number of employees | 3,925 | 1,402 | 280 | 5,607 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 SEPTEMBER 2014 (Continued)

## 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 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 SEPTEMBER 2014 (Continued)

## 8. REVENUE

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 KShs'000 | 2013 KShs'000 | 2014 KShs'000 | 2013 KShs'000 |
| Tea | 1,807,007 | 2,098,242 | - | - |
| Coffee | 651,007 | 395,980 | 546,985 | 290,380 |
| Livestock | 34,277 | 35,920 | 241 | 100 |
| Dairy produce | 6,594 | 3,694 | 3,218 | 1,587 |
| Horticulture | - | 3,090 | - | - |
| Retail and coffee lounge | 175,309 | 170,199 | 76,194 | 75,632 |
| Coffee mill | 64,807 | 65,598 | 66,020 | 62,649 |
| Rent receivable | 5,403 | 4,879 | 9,841 | 9,323 |
| Marketing commission | 12,399 | 39,232 | 20,933 | 39,226 |
| Others | 5,744 | - | - | - |
| | **2,762,547** | **2,816,834** | **723,432** | **478,897** |

## 9. COST OF SALES

| | Group 2014 KShs'000 | Group 2013 KShs'000 | Company 2014 KShs'000 | Company 2013 KShs'000 |
|---|---|---|---|---|
| Stock movement | (24,397) | 58,236 | (20,461) | 62,143 |
| General charges | 244,991 | 264,108 | 83,527 | 81,732 |
| Estates maintenance | 594,321 | 646,206 | 103,189 | 117,621 |
| Production expenses | 461,726 | 492,687 | 53,170 | 51,795 |
| Green leaf purchases | 405,762 | 384,162 | - | - |
| Coffee house expenses | 34,893 | 40,954 | - | - |
| Coffee purchases and other charges | 159,616 | 3,907 | 159,616 | 3,907 |
| Livestock expenses | 53,797 | 59,347 | 3,426 | 3,316 |
| Horticulture expenses | - | 3,418 | - | - |
| Retail trading expenses | 50,786 | 31,139 | 50,786 | 31,515 |
| Coffee mill expenses | 44,007 | 18,441 | 44,007 | 18,727 |
| Transport and insurance | 47,032 | 41,089 | - | - |
| Disposable plates and cutlery | 4,948 | - | - | - |
| | **2,077,482** | **2,043,694** | **477,260** | **370,756** |

## 10. OTHER INCOME

| | Group 2014 KShs'000 | Group 2013 KShs'000 | Company 2014 KShs'000 | Company 2013 KShs'000 |
|---|---|---|---|---|
| Net gain on disposal of property, plant and equipment | 796 | 7,800 | 796 | 15,362 |
| Management fees | (23) | - | 58,092 | 84,321 |
| Dividend received | - | - | - | - |
| Coffee mill sundry income | 127,508 | 93,918 | - | 93,918 |
| Other income/(expense) | 110,394 | 18,010 | 171,811 | (10,330) |
| | **238,675** | **119,728** | **230,699** | **183,271** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 SEPTEMBER 2014 (Continued)

## 11. ADMINISTRATION AND ESTABLISHMENT EXPENSES

| | Group | | Company | |
|---|---|---|---|---|
| **(a) Administration and establishment expenses** | **2014 KShs'000** | **2013 KShs'000** | **2014 KShs'000** | **2013 KShs'000** |
| Staff costs (Note 11(b)) | 175,829 | 191,271 | 79,303 | 92,314 |
| Insurance and medical costs | 20,338 | 21,442 | 4,248 | - |
| Depreciation of property, plant and equipment | 174,820 | 210,929 | 58,188 | 61,971 |
| Amortisation of intangible assets | 11,651 | 9,411 | 3,693 | 3,692 |
| Amortisation of leasehold land | 242 | 240 | 126 | 130 |
| Auditors' remuneration | 7,734 | 5,042 | 3,782 | 1,608 |
| Directors' emoluments | 17,252 | 16,152 | 17,252 | 16,152 |
| Legal and professional fees | 7,894 | 13,364 | 1,890 | 2,860 |
| Secretarial costs | 3,000 | 4,682 | - | 1,682 |
| Travelling and accommodation | 4,446 | 6,775 | 3,076 | 2,604 |
| Coffee house overheads | 34,125 | 39,363 | - | - |
| Office expenses | 65,791 | 47,495 | 63,698 | 33,543 |
| Administration costs | 229,020 | 109,802 | 151,426 | 56,359 |
| Bank charges | 3,619 | 8,381 | 2,124 | 6,869 |
| Other expenses | 7,058 | 8,524 | - | 7,318 |
| | **762,819** | **692,873** | **388,806** | **287,102** |
| **(b) Staff costs** | | | | |
| Salaries and wages | 160,257 | 179,504 | 72,083 | 86,769 |
| Staff leave accruals | (448) | (1,228) | (1,319) | (600) |
| Pension costs | 15,478 | 12,369 | 8,354 | 5,919 |
| National Social Security Fund | 542 | 626 | 185 | 226 |
| | **175,829** | **191,271** | **79,303** | **92,314** |

## 12. SELLING AND DISTRIBUTION EXPENSES

| | | | | |
|---|---|---|---|---|
| Warehousing and storage charges | 23,392 | 23,747 | - | - |

## 13. NET FINANCE COSTS

| | | | | |
|---|---|---|---|---|
| **(a) Finance income** | | | | |
| Interest income | 1,621 | 1,639 | 423 | 7 |
| Realised foreign exchange gain | - | 10,522 | - | 10,522 |
| Unrealised foreign exchange gain | 578 | 8,174 | 578 | 8,228 |
| | **2,199** | **20,308** | **1,001** | **18,757** |
| **(b) Finance cost** | | | | |
| Interest expense | (12,984) | ( 4,651) | (12,933) | ( 4,618) |
| Realised foreign exchange loss | (139) | ( 1,510) | (139) | (242) |
| Unrealised foreign exchange loss | (14,614) | (470) | (12,371) | (470) |
| | **(27,737)** | **( 6,631)** | **(25,443)** | **( 5,330)** |
| **Net finance (costs)/income** | **(25,538)** | **13,677** | **(24,442)** | **13,427** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 SEPTEMBER 2014 (Continued)

## 14. PROFIT BEFORE TAXATION

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 KShs'000 | 2013 KShs'000 | 2014 KShs'000 | 2013 KShs'000 |
| The profit /(loss) before taxation is arrived at after charging/(crediting): | | | | |
| Depreciation | 174,820 | 210,929 | 58,188 | 61,971 |
| Amortisation of intangible assets | 11,651 | 9,411 | 3,693 | 3,692 |
| Amortisation of leasehold land | 242 | 240 | 126 | 130 |
| Directors' emoluments: | | | | |
| - Fees | 3,600 | 4,613 | 3,600 | 4,613 |
| - Other remuneration | 13,652 | 11,539 | 13,652 | 11,539 |
| Pension scheme contributions | 15,478 | 12,369 | 8,354 | 5,919 |
| Auditors' remuneration | 7,734 | 5,042 | 3,782 | 1,608 |
| Interest expense | 12,984 | 4,651 | 12,933 | 4,618 |
| Unrealised exchange losses | 14,614 | 470 | 12,371 | 470 |
| Realised foreign exchange losses | 139 | 1,510 | 139 | 242 |
| Interest income | (1,621) | (1,639) | (423) | (7) |
| Realised foreign exchange gain | - | (10,522) | - | (10,522) |
| Unrealised foreign exhange gain | (578) | (8,147) | (578) | (8,228) |
| Net gain on disposal of property, plant and equipment | (796) | (7,800) | (796) | (15,362) |

## 15. TAX EXPENSE

| a) Statement of comprehensive income | Group | | Company | |
|---|---|---|---|---|
| | 2014 KShs'000 | 2013 KShs'000 | 2014 KShs'000 | 2013 KShs'000 |
| **Current tax expense** | | | | |
| Income tax on the taxable profit for the year at 30% | 122,968 | 81,803 | 55,678 | 4,968 |
| **Total current tax** | **122,968** | **81,803** | **55,678** | **4,968** |
| **Deferred tax (credit)/expense** | | | | |
| Deferred tax (credit)/expense arising from operating activities | (79,670) | (10,561) | (20,999) | 1,521 |
| Deferred tax expense/(credit) on biological assets fair value assets fair value | (15,060) | (9,455) | 113,729 | 28,806 |
| Prior year under provision | (11,866) | 4,931 | (11,866) | 4,497 |
| Total deferred tax expense/(credit) | (106,596) | (15,085) | 80,864 | 34,824 |
| **Taxation expense/(credit) for the year** | **16,372** | **66,718** | **136,542** | **39,792** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 SEPTEMBER 2014 (Continued)

## 15. TAX EXPENSE (Continued)

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 KShs'000 | 2013 KShs'000 | 2014 KShs'000 | 2013 KShs'000 |
| **Reconciliation of tax expense/(credit):** | | | | |
| Accounting profit/(loss) before taxation | 61,793 | 158,407 | 442,723 | 113,754 |
| Tax applicable rate at 30% | 18,538 | 47,522 | 132,817 | 34,126 |
| Tax effects of items not allowed for tax | (4,381) | (18,575) | 11,019 | (19,842) |
| Excess depreciation on revaluation | 14,081 | 32,840 | 4,572 | 21,011 |
| Prior year under provision: | | | | |
| - Deferred tax | (11,866) | 4,931 | (11,866) | 4,497 |
| | **16,372** | **66,718** | **136,542** | **39,792** |
| **(b) Statement of financial position** | | | | |
| Balance brought forward | (129,991) | 59,502 | (48,873) | 28,859 |
| Charge for the year | 122,968 | 81,803 | 55,678 | 4,968 |
| Paid during the year | (9,022) | (271,296) | (5,387) | (82,700) |
| **Balance carried forward** | **(16,045)** | **(129,991)** | **1,418** | **(48,873)** |
| Presented as: | | | | |
| Tax recoverable | (17,463) | (129,991) | - | (48,873) |
| Tax payable | 1,418 | - | 1,418 | - |
| | **(16,045)** | **(129,991)** | **1,418** | **(48,873)** |

**(c) Dividend tax account**

The Group and the Company have credit balances on the dividend tax accounts of KShs 895,342,411 (2013 - KShs 886,357,184) and KShs 547,298,273 (2013 - KShs 387,468,376), respectively, which include tax payments to 30 September 2014.

## 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 | |
|---|---|---|---|---|
| | 2014 KShs'000 | 2013 KShs'000 | 2014 KShs'000 | 2013 KShs'000 |
| Earnings per share on normal operations | 0.37 | 0.56 | 0.18 | 0.03 |
| Earnings per share on biological assets | (0.27) | (0.02) | 1.16 | 0.29 |
| **Net earnings per share (KShs)** | **0.10** | **0.54** | **1.34** | **0.32** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 SEPTEMBER 2014 (Continued)

### 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. No interim dividend was paid during the year (2013 – KShs 0.25). The board has recommended payment of a final dividend for Kshs 0.25 (2013 - Nil). This brings the total dividend for the year to KShs 0.25 (2013 – KShs 0.25) 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 | |
|---|---|---|---|---|
| | 2014 KShs'000 | 2013 KShs'000 | 2014 KShs'000 | 2013 KShs'000 |
| Dividends per share (KShs) | 0.25 | 0.25 | 0.25 | 0.25 |

### 18. PROPERTY, PLANT AND EQUIPMENT

**(a) Group**

| 30 September 2014: | 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 2013 | 1,045,474 | 1,082,981 | 702,721 | 187,686 | 154,962 | 3,173,824 |
| Revaluation | 5,743,526 | (48,994) | - | - | - | 5,694,532 |
| Additions | - | 28,450 | 23,480 | 6,781 | 8,042 | 66,753 |
| Disposals | - | - | - | - | (1,797) | (1,797) |
| **As at 30 September 2014** | **6,789,000** | **1,062,437** | **726,201** | **194,467** | **161,207** | **8,933,312** |
| **Depreciation** | | | | | | |
| As at October 2013 | - | 383,285 | 227,542 | 98,349 | 121,261 | 830,437 |
| Charge for the year | - | 61,496 | 74,746 | 16,639 | 21,939 | 174,820 |
| Reversal on revaluation | - | (432,618) | - | - | - | (432,618) |
| Disposal | - | - | - | - | (1,688) | (1,688) |
| **As at 30 September 2014** | **-** | **12,163** | **302,288** | **114,988** | **141,512** | **570,951** |
| **Net book value** | | | | | | |
| **At 30September 2014** | **6,789,000** | **1,050,274** | **423,913** | **79,479** | **19,695** | **8,362,361** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 SEPTEMBER 2014 (Continued)

### 18. PROPERTY, PLANT AND EQUIPMENT (continued)

| (a) Group (continued)<br>30 September 2013: | Freehold land<br>KShs'000 | Buildings and improvements<br>KShs'000 | Plant, machinery and tools<br>KShs'000 | Rolling stock and farm implements<br>KShs'000 | Furniture, computers and equipment<br>KShs'000 | Total<br>KShs'000 |
|---|---|---|---|---|---|---|
| **Cost or valuation** | | | | | | |
| As at 1 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) |
| **As at 30 September 2013** | **1,045,474** | **1,082,981** | **702,721** | **187,686** | **154,962** | **3,173,824** |
| **Depreciation** | | | | | | |
| As at 1 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** |
| **Net carrying value:** | | | | | | |
| **At 30September 2013** | **1,045,474** | **699,696** | **475,179** | **89,337** | **33,701** | **2,343,387** |

The Group's building and freehold land was revalued on 30 September 2014 by Knight Frank Valuers 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 171,885,745 (2013 – KShs 89,607,295) which are fully depreciated but still in use. The notional depreciation charge on these assets would have been KShs 45,117,578 (2013 – KShs 27,642,440).

There were no idle assets at 30 September 2014 and 2013. There was no property given as security as at 30 September 2014 and 2013.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 SEPTEMBER 2014 (Continued)

## 18. PROPERTY, PLANT AND EQUIPMENT (continued)

### (b) Company

| 30 September 2014: | 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 2013 | 881,582 | 491,085 | 195,038 | 79,401 | 45,054 | 1,692,160 |
| Revaluation | 4,378,418 | (93,202) | - | - | - | 4,285,216 |
| Additions | - | 2,770 | 9,471 | 922 | 4,522 | 17,685 |
| Disposals | - | - | - | - | (1,797) | (1,797) |
| **As at 30 September 2014** | **5,260,000** | **400,653** | **204,509** | **80,323** | **47,779** | **5,993,264** |
| **Depreciation** | | | | | | |
| As at October 2013 | - | 114,927 | 72,405 | 48,085 | 26,486 | 261,903 |
| Charge for the year | - | 22,904 | 20,512 | 3,985 | 10,787 | 58,188 |
| Reversal on revaluation | - | (137,831) | - | - | - | (137,831) |
| Disposal | - | - | - | - | (1,688) | (1,688) |
| **As at 30 September 2014** | **-** | **-** | **92,917** | **52,070** | **35,585** | **180,572** |
| **Net book value** | | | | | | |
| **At 30 September 2014** | **5,260,000** | **400,653** | **111,592** | **28,253** | **12,194** | **5,812,692** |
| **30 September 2013:** | | | | | | |
| **Cost or valuation** | | | | | | |
| As at 1 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) |
| **As at 30 September 2013** | **881,582** | **491,085** | **195,038** | **79,401** | **45,054** | **1,692,160** |
| **Depreciation** | | | | | | |
| As at 1 October 2012 | - | 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) |
| **As at 30 September 2013** | **-** | **114,927** | **72,405** | **48,085** | **26,486** | **261,903** |
| **Net carrying value** | | | | | | |
| **At 30September 2013** | **881,582** | **376,158** | **122,633** | **31,316** | **18,568** | **1,430,257** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 SEPTEMBER 2014 (Continued)

### 18. PROPERTY, PLANT AND EQUIPMENT (continued)
**(b) Company** (continued)

The Group's building and freehold land was revalued on 30 September 2014 by Knight Frank Valuers 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 41,147,103 (2013 – KShs 22,894,475) which are fully depreciated but still in use. The notional depreciation charge on these assets would have been KShs 10,886,174 (2013 – KShs 6,811,293).

There were no idle assets at 30 September 2014 and 2013.

There was no property given as security as at 30 September 2014 and 2013.

| (c) Capital work-in-progress | Group | | Company | |
|---|---|---|---|---|
| | 2014 KShs'000 | 2013 KShs'000 | 2014 KShs'000 | 2013 KShs'000 |
| Balance brought forward | 39,934 | 37,877 | - | - |
| Additions | 29,982 | 39,934 | - | - |
| Transfer to property, plant and equipment | (40,238) | (37,877) | - | - |
| | **29,678** | **39,934** | **-** | **-** |

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

### 19. INTANGIBLE ASSETS

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 KShs'000 | 2013 KShs'000 | 2014 KShs'000 | 2013 KShs'000 |
| **Cost** | | | | |
| At 1 October 2013 and 2012 | 60,264 | 59,054 | 18,156 | 18,008 |
| Additions | 8,175 | 1,210 | 6,458 | 148 |
| **At 30 September** | **68,439** | **60,264** | **24,614** | **18,156** |
| **Amortisation** | | | | |
| At 1 October 2013 and 2012 | 48,578 | 39,167 | 14,591 | 10,899 |
| Charge for the year | 11,651 | 9,411 | 3,693 | 3,692 |
| **At 30 September** | **60,229** | **48,578** | **18,284** | **14,591** |
| **Carrying value** | | | | |
| **At 30 September** | **8,210** | **11,686** | **6,330** | **3,565** |

Intangible assets relate to software costs.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 SEPTEMBER 2014 (Continued)

## 20. BIOLOGICAL ASSETS

**(a) Group**

| 30 September 2014: | Coffee trees KShs'000 | Tea bushes KShs'000 | Other trees KShs '000 | Livestock KShs'000 | Total KShs'000 |
|---|---|---|---|---|---|
| **Carrying value as at 1 October 2013** | **1,875,873** | **2,989,741** | **415,552** | **9,608** | **5,290,774** |
| Gains due to biological transformation at fair value | 1,061,673 | (426,052) | 24,117 | 41,135 | 700,872 |
| Decreases due to harvest at fair value | (390,767) | (268,614) | (55,826) | (40,821) | (756,028) |
| Changes in immature trees/bushes | 1,857 | - | 3,100 | - | 4,957 |
| | **672,763** | **(694,666)** | **(28,609)** | **314** | **(50,198)** |
| **Carrying value as at 30 September 2014** | **2,548,636** | **2,295,075** | **386,943** | **9,922** | **5,240,576** |
| **The reconciliation of fair value changes is analysed below:** | | | | | |
| Carrying value as at 1 October 2013 | 1,875,873 | 2,989,741 | 415,552 | 9,608 | 5,290,774 |
| Changes due to price estimate | 435,643 | (777,726) | (22,617) | - | (364,700) |
| Changes due to yield estimate | 235,263 | 83,060 | (9,092) | 314 | 309,545 |
| Changes due to immature bushes/animals | 1,857 | - | 3,100 | - | 4,957 |
| **Carrying value as at 30 September 2014** | **2,548,636** | **2,295,075** | **386,943** | **9,922** | **5,240,576** |
| **30 September 2013:** | | | | | |
| **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** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 SEPTEMBER 2014 (Continued)

### 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 2014, the Group had 105 (2013 - 97) cows able to produce milk, 199 (2013 - 159) calves that are raised to produce milk in the future, 3 (2013 - 3) bull calves and 697 (2013 - 529) sheep. The Group produced 718,749 (2013 - 866,216) litres of milk with a fair value less cost to sell of KShs 35,937,465 (2013 - KShs 43,310,800) in the year.

The Group has 879 hectares of mature coffee bushes and 33 hectares of immature coffee bushes. The Group harvested 1,153,989 (2013 - 953,059) Kgs of coffee with a fair value less cost to sell of KShs 390 million (2013 - KShs 193 million).

The Group has 1,434 (2013 - 1,434) hectares of mature tea bushes and 29 (2013 - 31) hectares of immature tea bushes. The Group harvested 25,633,695 (2013 - 26,626,885) Kgs of green tea leaves with a fair value less cost to sell of KShs 268 million (2013 - KShs 463 million).

**(b) Company**

| 30 September 2014: | Coffee trees KShs'000 | Other trees KShs '000 | Livestock KShs'000 | Total KShs'000 |
|---|---|---|---|---|
| **Carrying value as at 1 October 2013** | **1,468,786** | **93,479** | **957** | **1,563,222** |
| Gains/(losses) due to biological transformation at fair value | 719,217 | (24,395) | 3,844 | 698,666 |
| Decreases due to harvest at fair value | (310,457) | (7,301) | (3,459) | (321,217) |
| Changes in immature trees/bushes | 1,525 | 126 | - | 1,651 |
| | **410,285** | **(31,570)** | **385** | **379,100** |
| **Carrying value as at 30 September 2014** | **1,879,071** | **61,909** | **1,342** | **1,942,322** |

The reconciliation of fair value changes is analysed below:

| | | | | |
|---|---|---|---|---|
| Carrying value as at 1 October 2013 | 1,468,786 | 93,479 | 957 | 1,563,222 |
| Changes due to price estimate | 234,880 | (11,651) | - | 223,229 |
| Changes due to yield estimate | 173,880 | (20,045) | 385 | 154,220 |
| Changes in immature trees/bushes | 1,525 | 126 | - | 1,651 |
| **Carrying value as at 30 September 2014** | **1,879,071** | **61,909** | **1,342** | **1,942,322** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 SEPTEMBER 2014 (Continued)

### 20. BIOLOGICAL ASSETS (continued)

**(b) Company** (continued)

| **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) | 267,230 |
| Changes due to yield estimate | (171,006) | (3,584) | - | (174,590) |
| Changes due to immature bushes/animals | 3,139 | 238 | - | 3,377 |
| **Carrying value as at 30 September 2013** | **1,468,786** | **93,479** | **957** | **1,563,222** |

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.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 SEPTEMBER 2014 (Continued)
### 20. BIOLOGICAL ASSETS (continued)

| TYPE | Valuation Technique | Significant unobservable inputs | Inter-relationship between key unobservable inputs and fair value measurement |
|---|---|---|---|
| Tea bushes | Discounted cash flows: The valuation model considers the present value of the net cash flows expected to be generated by the plantation. The expected net cash flows are discounted using a risk-adjusted discount rate. | • Estimated future green leafe price per kilogram of Kshs 23.52 (2013: Kshs 23.53)<br>• Estimated future green leafe price per kilogram of Kshs 10.72 (2013: Kshs 11.86)<br>• Risk-adjusted annual discount rate of 14.35% (2013: 15.00%) | The estimated fair value would increase (decrease) if:<br>• The estimated green leaf prices per kilogram were higher (lower)<br>• The estimated harvest, replanting, weeding and transporatation costs were lower (higher); or<br>• The risk-adjusted discount rates were lower (higher). |
| Coffee bushes | Discounted cash flows: The valuation model considers the present value of the net cash flows expected to be generated by the plantation. The cash flow projections include specific estimates for 9 to 50 years depending on the type of bush. The expected net cash flows are discounted using a risk-adjusted discount rate. | • Estimated future coffee realisation per kg of Kshs 329 (2013: Kshs 266)<br>• Risk-adjusted annual discount rate of 13.02% (2013: Kshs 86.50)<br>• Estimated future exchange rate to the USD of Kshs 86.82 (2013: Kshs 86.50) | The estimated fair value would increase (decrease) if:<br>• The estimated green leaf prices per kilogram were higher (lower)<br>• The estimated harvest, replanting, weeding and transporatation costs were lower (higher); or<br>• The risk-adjusted discount rates were lower (higher).<br>• The estimated exchange rates (USD/Kshs) were higher (lower) |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 SEPTEMBER 2014 (Continued)

### 21. PREPAID LEASES ON LEASEHOLD LAND

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 KShs'000 | 2013 KShs'000 | 2014 KShs'000 | 2013 KShs'000 |
| **Cost** | | | | |
| Balance brought forward and at 30 September | 23,058 | 23,058 | 9,210 | 9,210 |
| **Amortisation** | | | | |
| Balance brought forward | 2,742 | 2,502 | 1,324 | 1,194 |
| Charge for the year | 242 | 240 | 126 | 130 |
| At 30 September | 2,984 | 2,742 | 1,450 | 1,324 |
| **Carrying value** | | | | |
| **At 30 September** | **20,074** | **20,316** | **7,760** | **7,886** |

The Group's leasehold land was revalued on 30 September 2014 by Knight Frank Valuers limited, a firm of independent valuers, on the market value existing basis. The fair value of the land is estimated at Kshs 3.74 billion. The revaluation has not been adopted in the financial statements.

### 22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 KShs'000 | 2013 KShs'000 | 2014 KShs'000 | 2013 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 | |
|---|---|---|---|---|
| | 2014 KShs'000 | 2013 KShs'000 | 2014 KShs'000 | 2013 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 Tea & Coffee 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 2014.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 SEPTEMBER 2014 (Continued)

## 24. INVENTORIES

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 KShs'000 | 2013 KShs'000 | 2014 KShs'000 | 2013 KShs'000 |
| Made tea | 131,941 | 133,139 | - | - |
| Tea and tree nurseries | 8,156 | 5,825 | - | - |
| Coffee | 43,816 | 27,162 | 40,299 | 22,353 |
| Estate stores | 141,039 | 209,868 | 37,893 | 26,767 |
| Food and beverages | 2,187 | 699 | - | - |
| | 327,139 | 375,993 | 78,192 | 49,120 |
| Inventories write-offs | (9,076) | (5,729) | - | - |
| | **318,063** | **370,264** | **78,192** | **49,120** |

The amount of inventories recognised as an expense is KShs598,472,610 (2013 – KShs 1,303,584,000) which was recognised in cost of sales.

## 25. TRADE AND OTHER RECEIVABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 KShs'000 | 2013 KShs'000 | 2014 KShs'000 | 2013 KShs'000 |
| Trade receivables | 233,740 | 244,996 | 153,746 | 117,970 |
| Allowances for impairment | (8,456) | (8,356) | (2,962) | (2,862) |
| Net trade receivables | 225,284 | 236,640 | 150,784 | 115,108 |
| Other receivables and prepaid expenses | 357,210 | 281,694 | 141,641 | 119,433 |
| | **582,494** | **518,334** | **292,425** | **234,541** |
| **Allowances for impairment:** | | | | |
| At beginning of the year | 8,356 | 12,571 | 2,862 | 9,508 |
| Written off | - | (4,787) | - | (4,787) |
| Reversals in the year | - | (2,532) | - | (2,532) |
| Charge for the year | 100 | 3,104 | 100 | 673 |
| **At the end of the year** | **8,456** | **8,356** | **2,962** | **2,862** |
| **Age analysis of trade receivables:** | | | | |
| Less than 30 days | 204,753 | 216,328 | 132,619 | 105,464 |
| 31 to 90 days | 14,344 | 17,823 | 9,497 | 3,814 |
| Over 90 days (past due but not impaired) | 11,354 | 8,971 | 8,923 | 7,985 |
| Over 90 days (past due and impaired) | 3,289 | 1,874 | 707 | 707 |
| | **233,740** | **244,996** | **153,746** | **117,970** |

## 26. RELATED COMPANIES BALANCES

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 KShs'000 | 2013 KShs'000 | 2014 KShs'000 | 2013 KShs'000 |
| **Amount due from related companies:** | | | | |
| Mweiga Estates Limited | - | - | 224,398 | 210,173 |
| Wahenya Limited | - | - | 13,326 | - |
| Aristocrats Tea & Coffee Exporters Limited | - | - | 429 | 125 |
| Sasini Coffee House Limited | - | - | 13,290 | 12,307 |
| Sameer Agriculture and livestock limited | 1,000 | 1,000 | - | - |
| Sameer investments Limited | 198 | 92 | 92 | 92 |
| | **1,198** | **1,092** | **251,535** | **222,697** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 SEPTEMBER 2014 (Continued)

## 26. RELATED COMPANIES BALANCES (Continued)

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 KShs'000 | 2013 KShs'000 | 2014 KShs'000 | 2013 KShs'000 |
| **Amount due to related companies:** | | | | |
| Sameer investments Limited | 681 | - | - | - |
| Kipkebe Limited | - | - | 357,805 | 246,631 |
| | **681** | **-** | **357,805** | **246,631** |

## 27. CASH AND CASH EQUIVALENTS

| | Group 2014 KShs'000 | Group 2013 KShs'000 | Company 2014 KShs'000 | Company 2013 KShs'000 |
|---|---|---|---|---|
| Cash and cash equivalents | 304,303 | 165,329 | 144,813 | 128,568 |
| Short term deposit | 21,562 | 110,035 | - | 75,127 |
| | **325,865** | **275,364** | **144,813** | **203,695** |

## 28. SHARE CAPITAL

| | Group 2014 KShs'000 | Group 2013 KShs'000 | Company 2014 KShs'000 | Company 2013 KShs'000 |
|---|---|---|---|---|
| **Authorised:** | | | | |
| At 1 October and 30 September: 300,000,000 ordinary shares of KShs 1each | **300,000** | **300,000** | **300,000** | **300,000** |
| **Issued and fully paid:** | | | | |
| At 1 October and 30 September: 228,055,500 ordinary shares of KShs 1 each | **228,055** | **228,055** | **228,055** | **228,055** |

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

## 29. RESERVES

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 KShs'000 | 2013 KShs'000 | 2014 KShs'000 | 2013 KShs'000 |
| Non-distributable reserves: | | | | |
| Revaluation reserve | 7,337,072 | 1,815,574 | 5,508,889 | 1,109,899 |
| Capital reserve | 98,530 | 98,530 | 40,594 | 40,594 |
| Defined benefit reserve | 17,954 | - | 1,714 | - |
| Biological assets fair value reserve | 2,769,893 | 2,831,712 | 1,247,109 | 981,741 |
| | 10,223,449 | 4,745,816 | 6,798,306 | 2,132,234 |
| Distributable reserves: | | | | |
| Retained earnings | 1,370,695 | 1,309,162 | 342,820 | 348,353 |
| Proposed dividends | 57,014 | - | 57,014 | - |
| | 1,427,709 | 1,309,162 | 399,834 | 348,353 |
| Non-controlling interest | 241,755 | 99,878 | - | - |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 SEPTEMBER 2014 (Continued)

### 29. RESERVES (Continued)

Revaluation reserve

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

Biological assets fair value

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

### 30. DEFERRED TAX ASSET / LIABILITY

Deferred tax liabilities and assets during the year arose from the following:

**Group**

| **2014:** | **Balance at 1 October KShs '000** | **Prior year under /(over) provision KShs '000** | **Through profit or loss KShs '000** | **Through other compre-hensive income KShs '000** | **Balance at 30 September KShs '000** |
|---|---|---|---|---|---|
| Property, plant and equipment | 22,975 | (11,866) | (29,287) | - | (18,178) |
| Revaluation gain | 223,337 | - | - | 452,620 | 675,957 |
| Other temporary differences | (103,219) | - | (41,024) | 8,489 | (135,754) |
| Biological assets | 1,587,233 | - | (15,060) | - | 1,572,173 |
| Tax losses | (104,660) | - | (9,359) | - | (114,019) |
| | **1,625,666** | **(11,866)** | **(94,730)** | **461,109** | **1,980,179** |

| **2013:** | **Balance at 1 October KShs '000** | **Prior year under /(over) provision KShs '000** | **Through profit or loss KShs '000** | **Through other compre-hensive income KShs '000** | **Balance at 30 September KShs '000** |
|---|---|---|---|---|---|
| Property, plant and equipment | 4,343 | 4,931 | 13,701 | - | 22,975 |
| Revaluation gain | 255,844 | - | - | (32,507) | 223,337 |
| Other temporary differences | (112,809) | - | 9,590 | - | (103,219) |
| Biological assets | 1,596,688 | - | (9,455) | - | 1,587,233 |
| Tax losses | (70,475) | - | (34,185) | - | (104,660) |
| | **1,673,591** | **4,931** | **(20,349)** | **(32,507)** | **1,625,666** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 SEPTEMBER 2014 (Continued)

### 30. DEFERRED TAX ASSET / LIABILITY (Continued)

**Company**

| **2014:** | **Balance at 1 October KShs '000** | **Prior year under /(over) provision KShs '000** | **Through profit or loss KShs '000** | **Through other compre-hensive income KShs '000** | **Balance at 30 September KShs '000** |
|---|---|---|---|---|---|
| Property, plant and equipment | (6,056) | (11,866) | (7,781) | - | (25,703) |
| Revaluation gain | 91,892 | - | - | 13,389 | 105,281 |
| Other temporary differences | (11,545) | - | (13,219) | 735 | (24,029) |
| Biological \ssets | 468,967 | - | 113,730 | - | 582,697 |
| | **543,258** | **(11,866)** | **92,730** | **14,124** | **638,246** |

**Company**

| **2013:** | **Balance at 1 October KShs '000** | **Prior year under /(over) provision KShs '000** | **Through profit or loss KShs '000** | **Through other compre-hensive income KShs '000** | **Balance at 30 September KShs '000** |
|---|---|---|---|---|---|
| Property, plant and equipment | (6,086) | 4,497 | (4,467) | - | (6,056) |
| Revaluation gain | 112,903 | - | - | (21,011) | 91,892 |
| Other temporary differences | (17,534) | - | 5,989 | - | (11,545) |
| Biological assets | 440,162 | - | 28,805 | - | 468,967 |
| | **529,445** | **4,497** | **30,327** | **(21,011)** | **543,258** |

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.

**Presented in the statement of financial position as below:**

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2014 KShs'000** | **2013 KShs'000** | **2014 KShs'000** | **2013 KShs'000** |
| Entities with net deferred tax asset | (23,070) | (52,699) | - | - |
| Entities with net deferred tax liability | 2,003,249 | 1,678,365 | 638,246 | 543,258 |
| | **1,980,179** | **1,625,666** | **638,246** | **543,258** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 SEPTEMBER 2014 (Continued)

### 31. BANK LOAN

| Group and Company | 2014 KShs'000 | 2013 KShs'000 |
|---|---|---|
| Maturing within less than one year | - | 175,491 |

The Group repaid all ist loans relating to United Bank of Africa of KShs 103 million and Equatorial Commercial Bank Limited of KShs 72 million during the year.

### 32. POST EMPLOYMENT BENEFITS

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 KShs'000 | 2013 KShs'000 | 2014 KShs'000 | 2013 KShs'000 |
| Balance brought forward | 280,911 | 246,957 | 19,465 | 18,890 |
| Paid during the year | (24,879) | (18,134) | (1,551) | (1,312) |
| Charge for the year | 50,728 | 43,940 | 5,629 | 2,369 |
| Remeasurements | (25,867) | 8,148 | (2,449) | (482) |
| **Balance carried forward** | **280,893** | **280,911** | **21,094** | **19,465** |
| Non-current portion | 270,520 | 261,841 | 21,094 | 18,496 |
| Current portion | 10,373 | 19,070 | | 969 |
| | **280,893** | **280,911** | **21,094** | **19,465** |

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 and 2014.

| 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 | |
|---|---|---|---|---|
| | 2014 KShs'000 | 2013 KShs'000 | 2014 KShs'000 | 2013 KShs'000 |
| Trade payables | 176,613 | 56,035 | 115,300 | (29,277) |
| Other payables | 345,755 | 480,653 | 148,708 | 272,343 |
| | **522,368** | **536,688** | **264,008** | **243,066** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 SEPTEMBER 2014 (Continued)

## 34. CASH FLOWS GENERATED FROM OPERATIONS

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 KShs'000 | 2013 KShs'000 | 2014 KShs'000 | 2013 KShs'000 |
| Profit/(loss)/ before tax and non-controlling interests | 61,793 | 158,407 | 442,723 | 113,754 |
| Adjustments for: | | | | |
| Depreciation and amortisation | 186,713 | 220,580 | 62,007 | 65,793 |
| Net unrealised foreign Exchange (gain) /loss | 14,036 | (7,677) | 11,793 | (7,758) |
| Interest income | (1,621) | (1,639) | (423) | (7) |
| Interest costs | 12,894 | 4,651 | 12,933 | 4,618 |
| (Gains)/loss on disposal of property plant and equipment | (796) | (7,800) | (796) | (15,362) |
| Loss/(gains) arising from changes in fair value of biological assets | 50,198 | 31,518 | (379,098) | (96,017) |
| **Operating profit before working capital changes** | **323,307** | **398,040** | **149,139** | **65,021** |
| Inventories | 52,201 | 60,325 | (29,072) | 67,400 |
| Trade and other receivables | (64,160) | (108,951) | (57,884) | (51,149) |
| Related company balances | 575 | 326 | 82,336 | 186,773 |
| Trade and other payables | (14,320) | 76,511 | 20,942 | (48,808) |
| Post-employment obligations | 26,577 | 33,706 | 4,076 | 575 |
| **Cash flows generated from operations** | **324,180** | **459,957** | **169,537** | **219,812** |

## 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 | |
|---|---|---|---|---|
| | 2014 KShs'000 | 2013 KShs'000 | 2014 KShs'000 | 2013 KShs'000 |
| Ryce East Africa Limited | 1011 | 1,363 | 1011 | 113 |
| Ryce Motors Limited | - | - | - | - |
| Ryce Engineering Limited | 20 | 1,788 | - | 134 |
| Sameer Investments Limited | - | 350 | - | 350 |
| Sameer Management Limited | 3,070 | 3,000 | 70 | - |
| Airtel Kenya Limited | 955 | 924 | 670 | 802 |
| Sameer Agriculture Limited | 6,125 | 170 | 158 | 170 |
| Yana Tyre Centre | 1,447 | 725 | 1,241 | 718 |
| Liquid telecom | 4,705 | 3,366 | 1,653 | 1,900 |
| | **17,333** | **11,686** | **4,803** | **4,187** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 SEPTEMBER 2014 (Continued)

## 35. RELATED PARTY TRANSACTIONS (Continued)

### (a) Purchase of goods and services (continued)

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 the bank were in normal course of business and at arms length.

| | Group | | Company | |
|---|---|---|---|---|
| **(b) Key management compensation** | **2014 KShs'000** | **2013 KShs'000** | **2014 KShs'000** | **2013 KShs'000** |
| Short term employee benefits | 40,046 | 43,112 | 29,588 | 30,079 |
| Post employment benefits | 4,165 | 4,370 | 2,855 | 3,117 |
| | **44,211** | **47,482** | **32,443** | **33,196** |
| **(c) Director's emoluments** | | | | |
| Fees | 3,600 | 4,613 | 3,600 | 4,613 |
| Other remuneration | 13,652 | 11,539 | 13,144 | 11,539 |
| | **17,252** | **16,152** | **16,744** | **16,152** |

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

## 36. CAPITAL COMMITMENTS

| | Group | | Company | |
|---|---|---|---|---|
| | **2014 KShs'000** | **2013 KShs'000** | **2014 KShs'000** | **2013 KShs'000** |
| Authorised and contracted for | **945** | **20,313** | **304** | **1,218** |

## 37. CONTINGENT LIABILITIES

There are certain pending legal claims brought against the Group at 30 September 2014. 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 SEPTEMBER 2014 (Continued)

## 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 | |
|---|---|---|---|---|
| | 2014 KShs'000 | 2013 KShs'000 | 2014 KShs'000 | 2013 KShs'000 |
| Less than one year | 5,559 | 4,596 | 10,782 | 9,493 |
| One year to five years | 23,718 | 15,944 | 44,724 | 38,223 |
| Over five years | 5,823 | 6,029 | 5,823 | 9,979 |
| | **35,100** | **26,569** | **61,329** | **57,695** |

### (b) Lessee

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 KShs'000 | 2013 KShs'000 | 2014 KShs'000 | 2013 KShs'000 |
| Less than one year | 5,777 | 2,263 | 5,777 | - |
| One year to five years | 21,547 | 4,760 | 21,547 | - |
| Over five years | 959 | - | 959 | - |
| | **28,283** | **7,023** | **28,283** | **-** |

## 39. EVENTS AFTER THE REPORTING DATE

Subsequent to the year ended 30 September 2014, the Group made the decision to sell leasehold land with a net book value of KShs 1.394 million at an estimated selling price of KShs 1.027 billion as shown below.

| | Acres | Carrying amount KShs'000 | Fair value KShs'000 |
|---|---|---|---|
| Mweiga Estate Limited land | 266.76 | 437 | 533,520 |
| Wahenya Limited land | 247.00 | 957 | 494,000 |
| | **513.76** | **1,394** | **1,027,520** |

# FIVE YEAR COMPARATIVE STATEMENTS

| | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|
| **PRODUCTION AND SALES STATISTICS** | | | | | |
| **TEA** | | | | | |
| Area – Hectares | 1,465 | 1,465 | 1,465 | 1,437 | 1,437 |
| Production – Tonnes | 11,564 | 11,061 | 8,826 | 9,042 | 9,166 |
| Sales – Tonnes | 11,495 | 11,064 | 8,877 | 8,761 | 9,249 |
| Sales proceeds - KShs/Kg | 157 | 190 | 192 | 189 | 170 |
| **COFFEE** | | | | | |
| Area – Hectares | 912 | 912 | 912 | 912 | 912 |
| Production – Tonnes | 1,153 | 1,201 | 980 | 863 | 1,106 |
| Sales – Tonnes | 1,209 | 1,169 | 1,008 | 908 | 1,114 |
| Sales proceeds - KShs'000/tonne | 417 | 339 | 698 | 618 | 392 |
| **RESULTS** | **KShs '000** | **KShs '000** | **KShs '000** | **KShs '000** | **KShs '000** |
| Turnover | 2,762,547 | 2,816,834 | 2,820,737 | 2,665,877 | 2,297,929 |
| (Losses)/gains arising from changes in fair value less costs to sell | (50,198) | (31,518) | (420,986) | (416,043) | 904,832 |
| Profit /(loss) before taxation and non-controlling interest | 61,793 | 158,407 | (85,225) | 1,014,139 | 1,382,375 |
| Taxation charge | (16,372) | (66,718) | (38,888) | (563,792) | (388,646) |
| Profit (loss) after taxation before non-controlling interests | **45,421** | **91,689** | **(124,113)** | **450,347** | **993,729** |
| **Made up as shown below:** | | | | | |
| Profit arising from operating activities | 85,476 | 126,832 | 186,857 | 384,664 | 352,553 |
| (Loss)/profit arising from changes in fair value less costs to sell after tax | (61,819) | (4,128) | (254,650) | 6,569 | 628,354 |
| Non-controlling interest | 21,764 | (31,015) | (56,320) | 59,114 | 12,822 |
| | **45,421** | **91,689** | **(124,113)** | **450,347** | **993,729** |
| Dividends | (57,014) | (57,014) | (171,042) | (228,055) | (114,028) |

# FIVE YEAR COMPARATIVE STATEMENTS (CONTINUED)

| CAPITAL EMPLOYED | 2014<br>KShs '000 | 2013<br>KShs '000 | 2012<br>KShs '000 | 2011<br>KShs '000 | 2010<br>KShs '000 |
|---|---|---|---|---|---|
| Property, plant and equipment | 8,362,361 | 2,343,387 | 2,411,972 | 2,402,791 | 2,433,720 |
| Intangible assets | 8,210 | 11,686 | 19,887 | 29,758 | 39,791 |
| Biological assets | 5,240,576 | 5,290,774 | 5,322,292 | 5,743,278 | 5,327,235 |
| Prepaid leases - leasehold land | 20,074 | 20,316 | 20,556 | 20,797 | 21,038 |
| Capital work-in-progress | 29,678 | 39,934 | 37,877 | 21,645 | 6,392 |
| Available-for-sale financial asset | 525 | 525 | 525 | 525 | 4,229 |
| Deferred tax asset | 23,070 | 52,699 | - | - | - |
| Net current assets | 710,243 | 563,796 | 524,243 | 659,798 | 708,611 |
| | **14,394,737** | **8,323,117** | **8,337,352** | **8,878,592** | **8,541,016** |
| **FINANCED BY** | | | | | |
| Share capital | 228,055 | 228,055 | 228,055 | 228,055 | 228,055 |
| Reserves | 11,594,144 | 6,054,978 | 6,008,602 | 6,230,971 | 6,056,768 |
| Non-controlling interests | 241,755 | 99,878 | 133,131 | 189,118 | 136,739 |
| Proposed dividend | 57,014 | - | 57,014 | 114,028 | 68,417 |
| **Equity** | 12,120,968 | 6,382,911 | 6,426,802 | 6,762,172 | 6,489,979 |
| Deferred tax liability | 2,003,249 | 1,678,365 | 1,673,591 | 1,847,081 | 1,444,349 |
| Bank loan | - | - | - | 56,837 | - |
| Loan notes | - | - | - | - | 420,000 |
| Post employment benefit obligations | 270,520 | 261,841 | 236,959 | 212,502 | 186,688 |
| | **14,394,737** | **8,323,117** | **8,337,352** | **8,878,592** | **8,541,016** |
| RATIOS | | | | | |
| Earnings/(loss) per share on operating activities (KShs) | 0.37 | 0.56 | 0.82 | 1.69 | 1.55 |
| Earnings/(loss) per share on biological assets (KShs) | (0.27) | (0.02) | (1.12) | 0.03 | 2.75 |
| Dividend per share (KShs) | 0.25 | 0.25 | 0.75 | 1.00 | 0.50 |
| Dividend cover (times covered) | 1.48 | 2.24 | 1.09 | 1.69 | 3.10 |
| Capital employed per share | 63.12 | 36.26 | 36.56 | 38.93 | 37.45 |

# NOTES

Sasini 2014

# 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 27th February 2015 and at any adjournment thereof.

As witness my/our hand(s) this day of……………………………………2015

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 27 Februari 2015 na kwenye uahirishwaji wake wowote.

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

Mwezi wa ……………………………………… 2015

Sahihi ……………………………………………………

**Maelezo:**

- Ili kuwa halali, fomu hii ya uakilishi lazima ifikishwe kwenye afisi ilioandikishwa 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

FOLD 1

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

Sasini

FOLD 3

# DIRECTION TO KAMUNDU ESTATE

SASINI LIMITED AND SUBSIDIARIES


# Sasini

A MEMBER OF SAMEER GROUP



Sasini House, Loita Street
P.O. Box 30151-00100
NAIROBI
Telephone: (+254-020) 3342166/71/72
Mobile: (+254 ) 722 200706, 734 200706, 705 200706, 733 200706
E-mail: info@sasini.co.ke | Website:www.sasini.co.ke