Sasini

SASINI PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH SEPTEMBER 2019

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DIRECTORS AND STATUTORY INFORMATION

DIRECTORS

Dr. J.B. McFie, PhD, MBS	- Chairman
Dr. N. N. Merali, PhD, CBS	
A.H. Butt, CPA (Kenya), FCCA	
S.N. Merali, Bsc, MSc	
Dr. S.O. Mainda, PhD, MA, ACII, EBS	
Betty Koech, MBA, BCom	
Rosemary Munyiri, MSc, BCom, CPA (Kenya), CISA	
Martin R. Ochieng', MBA, Bsc	- (Group Managing Director Appointed 1 March 2019)
S.M. Githiga, MBA, Bsc, CPA (Kenya)	- (Retired 31 December 2018)

SECRETARY
Lawrence Chelimo Kibet, CPS (Kenya)
5th Floor, Barclays Plaza, Loita Street
PO Box 9287 - 00100
NAIROBI

REGISTRARS
Image Registrars Limited
5th Floor, Barclays Plaza, Loita Street
PO Box 9287- 00100
NAIROBI

ADVOCATES
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PO Box 40286 - 00100
NAIROBI

Hamilton Harrison & Mathews
PO Box 30333 - 00100
NAIROBI

Timamy and Company Advocates
PO Box 87288 - 80100
MOMBASA

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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

Spire Bank Limited
Equatorial Fidelity Centre
Waiyaki Way
PO Box 52467 - 00200
NAIROBI

KCB Bank Kenya 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

HFC Bank Limited
Rehani House Koinange Street
PO Box 30088 - 00100
NAIROBI

Co - operative Bank of Kenya Limited
Nairobi Business Centre, China Centre
PO Box 48231 - 00100
NAIROBI

Stanbic Bank Kenya Limited
Stanbic Bank Centre, Westlands Road
P.O Box 72833 - 00200
NAIROBI

Diamond Trust Bank Kenya Limited
DTB Centre, Mombasa Road
PO Box 61711 - 00200
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 coffee operations;
- Rain Forest Alliance certification for Tea and Coffee operations
- ISO 22000:2005 certification
- Fair Trade Flo Certification
- C.A.F.E. Practices (Starbucks Coffee)

ISO 22000:2005 certified

Mark of Origin Coffee Kenya

Rainforest Alliance Certification

FLO CERT Certification

C.A.F.E. Practices

Better farming Better future

BOARD OF DIRECTORS

Dr. James Boyd McFie, Phd
Chairman - *Independent Non Executive Director*

Dr. McFie is the Chairman of the Board of Directors. He holds a PhD in Accounting from the University of Strathclyde and a BA and MA in Mathematics from Oxford University. He is a Fellow of both the Association of Chartered Certified Accountants and the Institute of Certified Public Accountants of Kenya (ICPAK). Dr. McFie is a lecturer in Financial Reporting, Auditing and Cybercrime at Strathmore University. He is also a director of The Standard Group Limited and the Chairman of the Registration and Quality Assurance Committee of ICPAK. Between 1993 and 2002 he was a Director of the Kenya Capital Markets Authority, a member of the Kenya Value Added Tax Tribunal and a Trustee of the Kenya Corporate Governance Trust and of Jitegemee Trust. Prior to his lecturing at Strathmore University, he was the Training Manager in Ernst and Young, after qualifying as an accountant in the firm. Dr. McFie joined the Board on 30 August 2007.

Dr. Naushad Noorali Merali
Non Executive Director

Dr. Naushad N. Merali was awarded a doctorate degree (Honoris Causa) in Business Leadership by Kabarak University in 2015. He is an astute businessman and the Chairman and founder of the Sameer Group of Companies. The Sameer Group of Companies is a leading conglomerate in Kenya (and has a regional presence in East Africa) with interests in Agriculture and Agribusiness (Sasini PLC and Sameer Agriculture & Livestock (Kenya) Ltd), Trading and Commerce (Sameer Africa PLC and Eveready East Africa PLC), Construction and Engineering (Warren Enterprises Limited), Financial Services, Commercial and Leasing (Ryce East Africa Ltd and Yansam East Africa Ltd), EPZs (Sasini EPZ Ltd, Sameer EPZ Ltd and Sameer Industrial Park Ltd), Energy and Real Estate (Sameer Business Park is an ultra-modern building comprising five units totalling more than 500,000sq. ft. of built up area in show rooms and offices as well as Rivaan Centre, Westlands with lettable area of 72,000 sq. ft. in offices, showrooms and restaurants).

Dr. Merali has also served on various Presidential Committees relating to trade and social services and was a member of the National Economic and Social Council. He was a Board Trustee Member of the National Cancer Institute of Kenya. Owing to his contribution to the development and economic growth of Kenya, Dr. Merali has been honoured twice with Presidential national awards. He has been awarded the honour of the highly coveted national award of the Chief of the Order of the Burning Spear (CBS) and Elder of the Burning Spear (EBS). Dr. Merali has been a Director of Sasini PLC since 6 June 1989.

Mr. Akif Hamid Butt
Non Executive Director

Mr. A. H. Butt is a Fellow of the Association of Chartered Certified Accountants (ACCA) and a Certified Public Accountant of Kenya (CPA(K)) and has a wealth of experience, acquired over time, in financial management, corporate planning and strategic management. He previously worked with Pricewater House Coopers (PWC) 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. Mr. Butt is also a Director of Sameer Africa PLC and Eveready East Africa PLC, which are quoted on the Nairobi Securities Exchange. He was appointed to the Board of Sasini PLC on 1 May 1990.

Mr. Sameer Naushad Merali
Non Executive Director

Mr. S. N. Merali holds a Master of Science degree in Banking and International Finance from City University Business School, London and Bachelor of Science in Management Sciences from Kings College, London. Mr. Merali initially worked with Merrill Lynch International Bank Limited in the United Kingdom as an Investment Analyst between October 2000 and February 2003. He joined Sameer Investments Limited in March 2003 and now serves as the Chief Executive Officer of that company. He is the Chairman of Ryce East Africa Limited, Nandi Tea Estates Ltd and Warren Enterprises Ltd. He is a Director of Sameer Africa PLC, a company listed on the Nairobi Securities Exchange Ltd. He is also a Director of Sameer ICT Ltd, Sameer Telkom Ltd, Fidelity Shield Insurance Company Ltd and Frontier Optical Networks Ltd among others. Mr. Merali has extensive experience in strategic leadership, business initiation and development, corporate management, audit and risk management as well as prudent financial management and planning. He joined the Board of Sasini PLC on 26 May 2006.

BOARD OF DIRECTORS (CONTINUED)

Dr. Steve Omenge Mainda, PhD
Independent Non Executive Director

Dr. Steve O. Mainda, holds a Doctorate (Honoris Causa) from the University of Eastern Africa. He also holds a Master's Degree from Princeton University and a Diploma in Management from Cambridge University as well as a Diploma in Education from University of East Africa- Makerere College.

He is an Associate of the Chartered Insurance Institute, London and a Fellow of the Institute of Directors of London.

Dr. Mainda has a wealth of experience in Finance, Insurance, Strategic Management and Education. He is currently the Group Chairman of Housing Finance Group of Companies as well as Chairman of Continental Reinsurance Company. He sits on the Board of several companies in Eastern Africa e.g. Shelter Afrique, Sasini Plc, Ryce East Africa, Tausi Assurance Company Limited, Dubai Islamic Bank Kenya and Mahathi Infrastructure Uganda Limited.

As a Chairman and Director of various companies, he brings to the board, international business experience, management and executive leadership experience in operation, talent management and governance.

Dr. Mainda served for many years as Chairman of Insurance Regulatory Authority of Kenya (IRA), as well as Insurance Advisory Board of Kenya.

In recognition of his distinguished service to Kenya and East Africa, he was awarded Elder of the Order of the Burning Spear (EBS) by H.E. President Mwai Kibaki.

Mr. Martin R. Ochieng'
Group Managing Director

Mr. Martin R. Ochieng' is a holder of a Master of Business Administration degree in Strategic Marketing and Management from Oxford Brookes University, England, and a First Class Honours Bachelor of Science degree from Moi University. His career spans over 25 years of experience in international trade, business management and leadership in industry leading global organisations. He started work for 3M HealthCare as a Medical Representative in charge of Western Kenya region before joining Warner Lambert/Pfizer Inc. in 1997 as a Territory Manager covering Western Kenya, Eastern Uganda and North Western Tanzania regions. In 2003 he moved with Pfizer to South Africa as Head of Marketing for Sub Saharan Africa markets. He has held several leadership roles in various organisations including at KWV International as Head of Global Marketing, at Tyco International as Marketing and Strategy Director for Africa and Middle East region and later as Managing Director for Tyco Commercial Services for the region, as CEO at GHM South Africa and as MD for SGA Kenya.

Mr. Ochien'g was appointed as the Group Managing Director effective 1st March 2019.

Mrs. Betty Koech
Independent Non Executive Director

Mrs. Betty Koech holds a Master of Business Administration (MBA) degree from Moi University, a Bachelor of Commerce degree from the University of Nairobi and a Postgraduate Diploma in Marketing from the Chartered Institute of Marketing (UK). She is a certified Leadership Consultant, Trainer and Coach with the John Maxwell Team (USA).

Mrs Koech worked at G4S Kenya as the Sales and Marketing Director and previously held the post of Marketing Manager at Unilever Kenya. She is a Member of the Board of Directors of Sunshine Secondary Education Limited where she serves in the Finance & Procurement Committee and the Human Resource Board Committee in the same Institution. She has extensive experience in Leadership, Marketing, Strategic Management, Sales and Coaching. She is a Director and Associate of the Lead Catalyst Group Limited. She is also a Lead Consultant with Silicon Consulting Group Limited.

Mrs. Rosemary Munyiri
Independent Non Executive Director

Mrs. Rosemary Munyiri holds a Master of Accountancy degree from Bowling Green State University- Ohio, United States of America, and a Bachelor of Commerce (Accounting) degree from the University of Nairobi. She is a Certified Public Accountant of Kenya and a member of the Institute of Certified Public Accountants of Kenya (ICPAK). She is also a Certified Information Systems Auditor (CISA) and a Member of the Information Systems Audit and Control Association (ISACA).

Mrs. Munyiri has previously worked for East African Breweries Limited in various capacities which include: The Group Financial Planning and Reporting Manager, the Group Controls Compliance and Ethics Manager, the Manager – Group Audit and Risk and as a Consultant – Group Audit and Risk. She has also worked as a Global Audit and Risk Manager at Diageo PLC, the Head of Internal Audit at Farmers' Choice Limited, a Staff Accountant at Plante & Moran PLLC, USA, and an Audit Manager at Wanyeki & Co. Associates, CPA – Nairobi. She is a Financial Planning and Reporting Manager with Consol Glass Kenya Ltd.

She has a wealth of experience in Audit and Risk Management as well as in Financial Planning and Analysis.

SENIOR MANAGEMENT

Dr. Samuel Kanga Odalo, DBA
Group Financial Controller

Dr. Samuel Odalo has over 30 years' experience in Finance, Accounting and Audit. Prior to joining Sasini PLC, he held senior Finance and Accounting positions in various companies in the Agribusiness Industry. He holds a Doctorate Degree in Business Administration (Finance) from United States International University (USIU), a Global Executive Masters of Business Administration (MBA) from USIU in partnership with Columbia Business School in New York, Bachelor of Science in Business Administration (Accounting) from USIU. Dr Odalo is also a Certified Public Accountant (CPA) in Kenya and is bona fide Member of Institute of Certified Public Accountants of Kenya (ICPAK). He joined the Sasini group in 1998 and rose through the ranks to become the Group Financial Controller in July 2009.

Dr Odalo assumed the role of acting Group Managing Director from 1st October 2018 to 28th February 2019.

Mr. Lawrence Kibet
Company Secretary

Mr. Kibet holds a Bachelor of Laws (LL.B) Degree from the University of Nairobi, a Diploma in law from the Kenya School of Law and holds a Master of Business Administration degree in operations management, (MBA) from the University of Nairobi. He also holds a Bachelor of Commerce (BCom. Hons.) Finance major, and Bachelor of Laws degrees from the University of Nairobi and is currently pursuing a Master of Public Policy and Management degree at the Strathmore Business School, Strathmore University. He has also attended various professional management and corporate governance capacity building courses.

He is a Certified Public Accountant (CPA (K)), an advocate of the high court of Kenya and a Certified Public Secretary (CPS (K)). Mr Kibet is an active member of the Institute of Certified Public Accountants of Kenya (ICPAK), the Institute of Certified Public Secretaries (ICPSK) and Investor relations society (UK). Mr Kibet has over 15 years' experience in legal and corporate secretarial practice, corporate governance, policy management and investor relations. He has been involved in several Capital Markets transactions over the last ten years.

SENIOR MANAGEMENT (CONTINUED)

Mr. Silas Juma Njibwakale
Managing Director, Kipkebe Limited

Mr. Silas Juma Njibwakale holds a Bachelor's Degree in Agriculture from University of Nairobi and a Diploma in Human Resource Management from Kenya Institute of Management (KIM). He is a full member of the Institute of Human Resource Management (IHRM).

He has vast experience of over 26 years in managing tea estates and factories in Kenya. He has a wealth of knowledge in tea husbandry and has been instrumental in improving efficiencies and effectiveness within the tea industry in Kenya with a view to ensuring tea business remains sustainable with emphasis on value addition.

Prior to joining Sasini PLC, he held a number of senior management positions in various organizations which include The Sotik Tea Company Ltd, Sotik Highlands Tea Estate Ltd, Arroket Estate (Arroket & Kaptembwa) & Arroket Factory.

He has previously served as a member of the Board of Directors – Tea Board of Kenya and a Chairman of the Kenya Tea Growers Association (KTGA) – Sotik Branch.

Mr. Njibwakale was appointed as Managing Director - Kipkebe Limited (a wholly owned subsidiary of Sasini PLC.) on 1st April 2019.

Mr. James Muriithi Kieu
General Manager, Sasini PLC. (Coffee Operations)

Mr. James has vast experience of over 25 years in Managing Coffee and Tea Estates & Factories. Prior to joining Sasini PLC, 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 where he has lead in a series of diversification programs amongst other major activities.

Ms. Priscah Muthoni Keah
Head of Human Resources & Administration

Ms. Priscah has over 15 years' experience in Human Resource Management. Prior to joining Sasini PLC., 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.) - (Hons), Post Graduate Diploma in Human Resources Management and is a Member of the Institute of Human Resources Management (IHRM). Appointed to the position in July 2010.

NOTICE OF THE ANNUAL GENERAL MEETING

TO ALL SHAREHOLDERS

NOTICE IS HEREBY GIVEN THAT THE SIXTY-EIGTH (68TH) ANNUAL GENERAL MEETING of the Company will be held at Kamundu Estate, Kiambu, on Friday, 6 March 2020 at 11.00 a.m. to conduct the following business:

Ordinary business

1. To table the proxies and note the presence of a quorum.

2. To read the Notice convening the meeting.

3. To consider and if approved, adopt the Company's audited financial statements for the year ended 30 September 2019, together with the Chairman's, Directors' and Auditors' Reports thereon.

4. To confirm the first interim dividend of 50% paid on 16 July 2019 to shareholders on the register of members as at close of business on 21 June 2019.

5. To approve payment of Directors' fees for the year ended 30 September 2019.

6. Auditors: To note that Messrs KPMG Kenya continue in office as Auditors by virtue of Section 721 (2) of the Companies Act, 2015 and to authorize the Directors to fix the Auditors' remuneration for the ensuing financial year.

7. To elect Directors:

(a) Dr Steve Omenge Mainda, who retires at this meeting in accordance with the provisions of Articles 94 and 95 of the Company's Articles of Association and Clause 2.5 of the Code of Corporate Governance Practices for Issuers of Securities to the Public 2015. Special notice is hereby given pursuant to Section 287 of the Companies Act, 2015, that notice has been received of the intention to propose the following Resolution as an Ordinary Resolution at the 2019 Annual General meeting:

'That Dr Steve Omenge Mainda who has attained the age of 70 years, be and is hereby re-elected a Director of the Company until he comes up for retirement by rotation.'

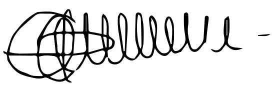
(b) Mr. Akif Butt, a Director retiring by rotation in accordance with Articles 94 and 95 of the Articles of Association of the Company and being eligible, offers himself for re-election.

8. In accordance with the provisions of Section 769 of the Companies Act, 2015, the following directors, being members of the Audit, Risk & Compliance Committee of the Board be elected to continue to serve as members of the said Committee:

(i) Mrs. Betty Koech
(ii) Mrs. Rosemary Munyiri
(iii) Mr. Sameer Merali
(iv) Dr. James McFie

9. To consider any other business for which due notice has been given.

BY ORDER OF THE BOARD



LAWRENCE KIBET, CPS (K)
COMPANY SECRETARY

Date: 18 December 2019.

Notes
1. A member entitled to attend and vote at the meeting and who is unable to attend is entitled to appoint a proxy to attend and vote on his or her behalf. A proxy need not be a member of the Company.
2. To be valid, the Proxy Form, must be duly completed by a member and must either be lodged at the registered offices of the Company's shares registrar firm, Image Registrars Limited, Barclays Plaza 5th Floor, Loita Street, P.O. Box 9287, 00100 GPO, Nairobi or be posted, or scanned and emailed to info@image.co.ke in PDF format; so as to reach Image Registrars not later than Wednesday, 6 March 2020 at 11.00 a.m.
3. In the case of a member being a limited Company, the Proxy Form must be completed under its Common Seal or under the hand of an officer or attorney duly authorised in writing.
4. The proxy form can be downloaded from the company's website: **www.sasini.co.ke**

ILANI YA MKUTANO MKUU WA KILA MWAKA

ILANI INATOLEWA HAPA KUWA MKUTANO MKUU WA KILA MWAKA WA SITINI NA NANE (68) wa kampuni utafanyika katika shamba la Kamundu, Kiambu, siku ya Ijumaa tarehe 6 Machi mwaka 2020 saa tano asubuhi kuendesha shughuli zifuatazo:

Shughuli za Kawaida:

1. Kuwasilisha majina ya wakala na kutambua uwepo wa idadi ya kutosha kuendesha mkutano.

2. Kusoma Ilani ya Kuitisha mkutano.

3. Kufikiria na ikiidhinishwa, kuzikubali taarifa zilizokaguliwa za kifedha za Kampuni za mwaka ulioishia tarehe 30 Septemba 2019, pamoja na ripoti za mwenyekiti, wakurugenzi na wahasibu.

4. Kuthibitisha mgao wa kwanza wa asilimia 50 uliolipwa tarehe 16 Julai 2019 kwa wanahisa kwenye rejista la wanachama kufikia mwisho wa biashara tarehe 21 Juni 2019.

5. Kuidhinisha kulipa malipo ya wakurugenzi ya mwaka unaoishia na tarehe 30 Septemba 2019.

6. Wahasibu: Kutambua kuwa KPMG Kenya wataendelea afisini kama wahasibu kulingana na sehemu 721 (2) ya Sheria ya Makampuni mwaka 2015 na kuidhinisha wakurugenzi kuamua malipo ya wahasibu ya mwaka wa kifedha unaofuata.

7. Kuchagua Wakurugenzi:

   (a) Dkt. Steve Omenge Mainda, ambaye anastaafu katika mkutano huu kulingana na maelekezo ya vifungu 94 na 95 vya Kanuni za Ushiriki wa Kampuni na sharti la 2.5 la Mwongozo wa Utendaji wa Uongozi wa Kampuni kwa Watoaji wa Hisa kwa Umma mwaka 2015. Ilani maalum inatolewa hapa kufuatana na Sehemu 287 ya Sheria za Makampuni mwaka 2015, kuwa Ilani imepokelewa ya nia ya kupendekeza Azimio linalofuata kama Azimio la Kawaida katika mkutano mkuu wa kila mwaka wa mwaka wa 2020.

   'Kuwa Dkt. Steve Omenge Mainda ambaye amefikisha umri wa miaka 70, awe na hapa anachaguliwa tena Mkurugenzi wa Kampuni mpaka atakapokuja tena kustaafu kwa zamu.'

   (b) Bwana Akif Butt, Mkurugenzi anayestaafu kwa zamu kulingana na vifungu 94 na 95 vya Kanuni za Ushiriki wa Kampuni na kwa kuwa anastahili, anajitolea kuchaguliwa tena.

8. Kulingana na maelekezo ya sehemu 769 ya Sheria ya Makampuni mwaka 2015, wakurugenzi wafuatao, wakiwa ni wanachama wa Kamati ya Uhasibu, Hatari na Ukubalifu ya Halmashauri wachaguliwe kuendelea kufanya kazi kama wanachama wa kamati Iliyotajwa:

   (a) Bibi Betty Koech.
   (b) Bibi Rosemary Munyiri
   (c) Bwana Sameer Merali.
   (d) Dkt. James McFie.

9. Kushughulikia mambo mengine yoyote ambayo ilani ya kutosha imetolewa.

Kwa Amri ya Halmashauri

Lawrence Kibet, CPS (K)
Katibu wa Kampuni
Tarehe 18 Desemba 2019.

Maelezo:
1. Mwanachama aliye na haki ya kuhudhuria na kupiga kura ana haki ya kuteua mwakilishi mmoja au zaidi kuhudhuria na kupiga kura kwa niaba yake na sio lazima mwakilishi awe mwanachama wa Kampuni.
2. Ili iwe halali, fomu ya Uwakilishi ni lazima ijazwe na mwanachama na inapasa kutumwa kwa posta kwa wasajili wa hisa wa Kampuni, Image Registrars Limited kwa SLP 9287, 00100 Nairobi au kwa mkono katika afiza zao zilizoko jumba la Barclays Plaza, orofa ya 5, Loita Street, Nairobi, au kutolewa nakala na kutumwa kwa barua pepe kwa info@image.co.ke kwa umbo la PDF, ili kufika kabla ya Jumatano, 6 Machi 2020 saa 5 asubuhi.
3. Iwapo mwanachama ni kampuni ya dhima yenye kikomo, hii fomu ni lazima ijazwe chini ya nembo yake au mbele ya afisa au wakili ambaye ataidhinishwa kwa maandishi.
4. Fomu ya Uwakilishi inapatikana kwenye tovuti ya kampuni: **www.sasini.co.ke.**

CHAIRMAN'S STATEMENT

"We initiated the use of technology in tea harvesting to help contain the ever-rising cost of production in our tea business and ensure sustainability going forward." ~ Dr. J.B. McFie, PhD, Chairman

BUSINESS ENVIRONMENT
GROUP FINANCIAL RESULTS
Overview

The Group's performance for the financial year ended 30 September 2019 was disappointing compared to the prior year. The Group recorded a loss after tax of KShs 337.7 million compared to an after-tax profit of 293.5 million in the previous year.

This has been one of the most difficult years operationally with several challenges ranging from weather related production failures to increases in production costs compounded by drops in global auction prices for both tea and coffee. We recorded failed short rains in the October-November 2018 period at the start of the financial year and subsequently the long rains in the March-May 2019 months were also dismal. This affected all our agricultural activities and meant that from the onset it was going to be a difficult production year for all our crops of tea, coffee, avocado and macadamia.

The main avenue for selling our key products also collapsed from early on in the financial year. The tea auction saw prices that have not been recorded for over 10 years and likewise the prices at the Nairobi Coffee Exchange were well below the planned expectations for the coffee business. In both these cases, we achieved average prices well below our cost of production which meant we went into loss making situations for our main business lines for the whole year.

The avocado business maintained a steady and profitable performance in its 2nd year of full operation but was also heavily affected by a poor crop and harvest due to the failed rains in the year. We shipped 55% of our intended volume as our key catchment areas for fruit were hit heavily by dry weather and therefore related poor yield.

During the year, we launched the macadamia commercial processing and trading having completed the capital investments in the construction of the factory in late 2018. The regulatory processes and the acquisition of pre requisite licences and certification we needed to initiate the business meant we could only start trading in the last quarter of the 2019 financial year. We were able to process all the nuts in shell we had in our opening stocks and embarked on the crucial aspect of identifying, interacting with and building commercial alliances with potential clients for this business line. In years going forward, this business unit is poised to be a central part and contributor to our operations and profits.

We also completed leadership and management changes for the business that saw our new Group Managing Director Martin R. Ochieng' join us on 1st March 2019, to replace our previous Group Managing Director who left in September 2018. Secondly, we also onboarded our new Managing Director Mr Silas Njibwakale, for our tea business Kipkebe Limited on 1st April 2019 to replace our long serving Managing Director for Kipkebe Limited who proceeded on retirement. These two leaders joined the group middle of the financial year and at a difficult time with the need to drive operational improvements especially in the tea business. On top of the focus needed in the tea business, the new Group Managing Director has embarked on stabilizing the coffee business as well as progressing the avocado venture and launching the commercialisation of the macadamia business unit. I would like to report that they have continued to settle well and the board and the whole organisation are looking forward to their strong contribution in driving our business ahead.

Tea production during the year declined to 9,318 tonnes of made tea against 10,804 tonnes achieved in the previous year (a drop of 14%). We recovered from the labour strike that had affected our operations towards the end of the previous year and had no significant labour issues during the financial year. We continued to struggle with poor green leaf quality in the initial stages of the financial year which also further exacerbated our price realisation in the market. Our tea sales in the auction dropped to 6,890 tonnes from 8,104 tonnes the prior year, while the teas sold through private treaties also dropped to 2,310 tonnes compared to 2,499 tonnes the prior year.

The coffee estates produced 986 tonnes of coffee compared to 891 tonnes produced in the previous year, a significant achievement in light of the weather-related challenges. To try and mitigate the poor auction prices for both tea and coffee, the business engaged in aiming to sell more of these two commodities privately though the price realisations in the private treaties were not that much better than realisations in the auctions.

The average price realized for tea dropped drastically to USD 1.62/kg compared to USD 2.03/kg in the previous financial year. The average price realized for coffee was USD 3.07/kg compared to USD 4.29/kg in the previous year.

The cost of labour has also continued to rise as the labour unions continued to demand higher wages during the year. The pending 4-year CBA discussions were concluded resulting in increases in wages that heavily affected our cost of production.

Comparatively, the annualised cost of production for tea and coffee increased during the year. To initiate measures aimed at addressing this, the company has driven a lot of focus on improvements in green leaf supply both from its own estates and from its out-grower programmes. We initiated the use of technology in tea harvesting to help contain the ever-rising cost of production in our tea business and ensure sustainability going forward.

The company's Board remains committed to enhancing shareholder value by continuously reviewing operating procedures, mitigating business and organisational risks, innovation and sound technological interventions to ensure the business remains sustainable. In the year under review,

CHAIRMAN'S STATEMENT (CONTINUED)

"We continued our focus on education as we see this to be an important investment that we make in the lives of our staff and the surrounding communities where our estates are." ~ Dr. J.B. McFie, PhD, Chairman

BUSINESS ENVIRONMENT (CONTINUED)

the board showed its commitment to the continuity of the business by completing investment into the macadamia and avocado business units, and assisting in the initiation of measures aimed at tackling the cost of production in the tea business through the use of innovative technology.

Collective Bargaining Agreements (CBAs) with Kenya Plantations and Agricultural Workers Union (KPAWU) and its impact on the Cost of Production

The tea and coffee industries' wage negotiations that take place every two years have continued.The pending CBA for the tea industry for 2016, 2017, 2018 and 2019 which had not yet been concluded was concluded and signed during the year at 7%, 8%, 8% and 9% respectively. This has resulted into a continued increase in the cost of production and compelled the company to employ technology in tea harvesting and other cost containment measures in operations and manage costs to enable sustainability of operations now and in the future.

SUSTAINABILITY AND SOCIAL RESPONSIBILITIES

Education/Social Welfare

We continued our focus on education as we see this to be an important investment that we make in the lives of our staff and the surrounding communities where our estates are. The group has four primary schools and one secondary school within the tea plantations and also supports schools around our coffee operations.

In our tea division, we maintain the nursery and primary schools providing free education to the children of employees, dependents and those from the surrounding communities. We drive ensuring that all children of school going age are in school, and strongly support our strict code of not using child labour in any of our business operations.

We continue to support this crucial development goal of education through bursaries, stipends and by providing funds to establish and improve schools near our plantations. We have continued to provide resources such as computers, laboratory equipment, sports kits and basic learning materials to the primary schools on top of giving shoes, mathematics sets and story books to primary school going children.

We have six day-care centres in our tea estates where toddlers are kept busy and fed on a daily basis as their parents go to work. We continue our commitment to improving the welfare of our employees and their families. The group provides social and welfare amenities to all our current population of permanent and seasonal employees of about 4,500 along with over 15,000 of their dependents living within the estates and we commit to continue this crucial aspect of being a good corporate citizen and being supportive to the communities we live and work in.

The group maintains a well-equipped Medical Centre with in-patient and outpatient treatment options within the tea plantations. It also maintains three satellite dispensaries with well-trained medical personnel and a diagnostic laboratory. The facilities also have ambulances on standby in the event that critical cases need to be transported to larger health facilities. These facilities cater for both the company employees and local community residents.

Smallholder Farmers and Community

The annual farmers' day was held as usual on the 6th of December 2019 at our Kamundu Estate, in Kiambu. We used the opportunity to sensitise our out-grower farmers on financial literacy, sustainable farming techniques and technological interventions in the growing of coffee, macadamia nut and avocado trees as well as new investment options. This event has remained critical to us as we use it to enhance the skill sets of out growers in the three crop areas mentioned above. It has been so successful for us that we have decided to conduct a similar one for our tea out-grower farmers early in 2020. We have seen farmers acquire and implement these new skills resulting in better agronomy practices and ultimately better yields mutually benefiting both the farmers and the company. We have continued to avail new seedlings for tea, coffee, avocado and macadamia as well as fertilizer to support our out-grower programs in the surrounding communities where our estates are.

General sustainability

We view these farmers' days as crucial contribution to helping our communities tackle poverty, hunger, and improve wealth and well-being. In addition to this, we are committed to improving quality education, advancing gender equality in our employment practices, providing clean water and sanitation in all our facilities, and enhancing life on land by adopting sustainable agricultural practices that ensure we play our part in combating land misuse by promoting responsible consumption and production in our operations. We have continued to stay committed to enhancing environmental sustainability through excellent forest management of the 1.2 million trees we have in our plantations and we will stay focused on this in years to come.

Our Rainforest Alliance certification is active and we have ensured that for both our tea and coffee operations, we adequately address the issues that positively enhance the environmental, social and economic challenges faced by our own tea and coffee estates, out grower farms and the surrounding communities. We have continued to use the knowledge we have acquired over the many years we have been successful in agriculture to inculcate the same sustainable approach in our new crop areas of avocado and macadamia. Having successfully launched both these new crops, we are happy to report that our approach to the new business lines is consistent with our general approach in conducting our traditional businesses under tea and coffee.

CHAIRMAN'S STATEMENT (CONTINUED)

"We go into the new financial year with our avocado and macadamia businesses fully operational." ~ Dr. J.B. McFie, PhD, Chairman

LOOKING AHEAD

In 2018, we initiated automated tea harvesting in our Magura tea estate and we continued this in 2019 with the expansion of the tea plucking machines into this estate as well as expanding this to Kiptenden tea estate. We will continue to advance this in our own estates and implement the technology to support the current manual tea plucking in a complementary approach. We continue with training of the workforce towards these new technologies and are confident that we will be successful. Our focus on quality green leaf harvesting and subsequent production of high-quality black tea remains intact.

We go into the new financial year with our avocado and macadamia businesses fully operational. We have continued to plant our own orchards with both crops in 2019 and will continue the planned and periodic roll out into 2020 to guarantee our future supply of both crops to support these business units. Our initial foray into the commercial markets for both crops has been very encouraging and our plans into the future include a strong contribution for our business coming from these two key crops to help diversify our income and reduce our reliance on tea and coffee.

For our traditional crops of tea and coffee, our focus will be driven by our continuous improvements in the areas of quality and strong management of our cost of production. We are confident that this will enhance our competitiveness in the market and give us the price realisations we need to stay profitable.

In 2019, under the new Group Managing Director's guidance, the management of the group and the board worked together to design and approve a new strategic framework that will guide our business operations in the next 3-5 years. Under this new approach, we will focus on six key pillars;

1. Strongly drive a performance culture in the organisation to help enhance operational planning and execution of all business units;
2. Continue a sharp focus on, and align the organisation to be, cost prudent in all its operations;
3. Enhance our focus on commercial aspects to sharpen the organization's sales and marketing efforts especially for our new business lines of avocado and macadamia;
4. Increase our focus on talent planning, management, development and retention of our most crucial resource, our people;
5. Strengthen our fiscal management to ensure sustainable financial health of the organization and be razor focused on managing organisational risk to help ensure organisational growth; and,
6. Continue to build a compliant business based on sustainable ethics & practices in our commitment to contribute to the sustainable development goals for excellent corporate citizenship.

The Board will work very closely with management to ensure that these goals are driven aggressively and that the business continues to operate in an ethical and sustainable manner. The investment that the board and the company have driven into diversification (avocado and macadamia), ensures that our future is not only based on a stable foundation with tea and coffee but is also diversified into new and growing crop and consumption areas of fruits and nuts.

Acknowledgement

I would like to extend my sincere gratitude to the board members, management and staff of Sasini PLC and on behalf of the Board, sincerely acknowledge and thank our esteemed shareholders and partners for their unwavering support during this very difficult year. Please allow me to assure you all of our commitment in growing the shareholders' wealth in the company and ensuring your investment remains secure.

Dr. J.B. McFie, PhD
Chairman
18 December 2019.

TAARIFA YA MWENYEKITI

"Tulianzisha utumiaji wa teknolojia katika kuvuna majani chai kusaidia kudhibiti gharama za uzalishaji zinazoongezeka kila uchao katika biashara yetu ya majani chai na kuhakikisha uendeleaji kuelekea mbele." ~ Dr. J.B. McFie, PhD, Chairman

MAZINGIRA YA UCHUMI NA BIASHARA

Mtazamo wa Kijumla

Utendaji wa Kundi wa mwaka unaoishia na tarehe 30 Septemba 2019 yalikuwa ya kutoridhisha yakilinganishwa na mwaka uliotangulia. Kundi lilirekodi hasara ya baada ushuru ya Shilingi milioni 337.7 ikilinganishwa na faida baada ushuru ya Shilingi milioni 293.5 katika mwaka uliopita.

Huu umekuwa mmojawapo wa miaka migumu zaidi ya uendeshaji shughuli ukiwa na changamoto kadhaa zikiwa ni kutoka upungufu wa uzalishaji unaohusika na hali ya hewa hadi ongezeko katika gharama za uzalishaji zikizidishwa na maanguko katika bei za mnada za kilimwengu za zote majani chai na kahawa. Tulipata upungufu wa mvua katika kipindi cha Oktoba – Novemba 2018 mwanzoni mwa mwaka wa kifedha na baadaye mvua za kipindi kirefu mwezi Machi – Mei 2019 pia zilikuwa kidogo. Hili liliathiri shughuli zetu zote za kilimo na kumaanisha kuwa kutokea mwanzoni ilikuwa itakuwa mwaka mgumu wa uzalishaji kwa mazao yetu yote ya majani chai, kahawa, parachichi na makadamia.

Njia kuu ya kuuza mazao yetu muhimu pia iliporomoka kutokea mwanzoni mwa mwaka wa kifedha.Mnada wa majani chai ulipata bei ambazo hazijarekodiwa kwa zaidi ya miaka 10 na pia bei katika soko la uuzaji kahawa la Nairobi zilikuwa za chini sana ya matarajio yaliopangwa ya biashara ya kahawa. Katika hali zote hizi mbili, tulipata bei za wastani zilizo chini sana ya gharama zetu za uzalishaji iliomaanisha tuliingia katika hali za hasara za biashara zetu kuu katika mwaka mzima.

Biashara ya parachichi ilidumisha utendaji thabiti na wa faida katika mwaka wake wa pili wa uendeshaji kamili lakini pia iliathiriwa sana na mazao na mavuno mabaya kutokana na kutonyesha kwa mvua ya kutosha katika mwaka. Tulisafirisha asilimia 55 ya viwango vya bidhaa zetu tulizokusudia kwa vile maeneo yetu muhimu ya matunda yaliathiriwa vibaya na ukame na hivyo mazao mabaya yaliyohusika.

Tulianzisha utengenezaji wa biashara na uuzaji wa makadamia katika mwaka, tukiwa tumekamilisha uekezaji wa mtaji katika ujenzi wa kiwanda mwishoni mwa mwaka 2018. Mambo ya kikanuni na upataji wa leseni zinazohitajika na uthibitishaji tuliohitaji kuanzisha biashara ilimaanisha tunaweza tu kuanza uuzaji katika robo ya mwisho ya mwaka wa kifedha wa 2019. Tuliweza kutengeneza makadamia yote yaliokuwa katika makaka tuliokuwa nayo katika akiba yetu ya kuanzia na kuanza jambo muhimu la kutambua, kuingiliana na kujenga uhusiano wa kibiashara na wanaoweza kuwa wateja kwa biashara hii. Katika miaka inayokuja, kitengo hiki cha biashara kiko tayari kuwa sehemu na mchangiaji mkuu kwa shughuli na faida zetu.

Sisi pia tulikamilisha mabadiliko ya kiuongozi na usimamizi ya biashara yaliofanya tupate Mkurugenzi Mkuu wetu mpya wa Kundi Martin R. Ochieng' tarehe 1 Machi 2019, kuchukua nafasi ya Mkurugenzi Mkuu wetu wa awali aliyestaafu Desemba 2018. Pili, pia tulimleta Mkurugenzi Mkuu wetu mpya wa biashara yetu ya majani chai ya kampuni ya Kipkebe, Bw. Silas Njibwakale, tarehe 1 Aprili 2018 kuchukua nafasi ya Mkurugenzi Mkuu wetu wa kampuni ya Kipkebe aliyehudumu kwa muda mrefu ambaye alistaafu mwishoni mwa Machi 2019. Viongozi hawa wawili walijiunga na Kundi katikati ya mwaka wa Kifedha na katika wakati mgumu kukiwa na haja ya kuimarisha maendeleo ya uendeshaji shughuli hasa katika biashara ya majani chai. Juu ya kulenga kulikohitajika katika biashara ya majani chai, Mkurugenzi Mkuu mpya wa Kundi ameanza kuimarisha biashara ya kahawa na hata kuendeleza jaribio la parachichi na kuanzisha kitengo cha ufanyaji biashara wa makadamia. Ningependa kuripoti kuwa wameendelea kumakinika vizuri na Halmashauri na shirika zima wanatarajia mchango wao thabiti katika kuiendesha biashara yetu mbele.

Uzalishaji wa majani chai katika mwaka ulipungua kuwa tani 9,318 za majani chai yaliotengenezwa dhidi ya tani 10,804 zilizopatikana katika mwaka uliotangulia (punguo la asilimia 14). Tulipata nafuu kutoka kwa mgomo wa wafanyikazi ambao uliathiri shughuli zetu kuelekea mwishoni mwa mwaka uliopita na hatukuwa na maswala ya maana ya wafanyikazi katika mwaka wa kifedha.

Tuliendelea kung'ang'ana na ubora duni wa majani ya kijani katika nyakati za mwanzo za mwaka wa kifedha ambao pia ulipunguza upataji wetu wa bei katika soko. Mauzo yetu ya majani chai katika mnada yalipungua kuwa tani 6,860 kutoka tani 8,103 mwaka uliotangulia, hali majani chai yaliouzwa kupitia mikataba ya kibinafsi pia yalipungua kuwa tani 2,310 ikilinganishwa na tani 2,499 mwaka uliopita.

Mashamba ya kahawa yalizalisha tani 986 za kahawa ikilinganishwa na tani 891 zilizozalishwa katika mwaka uliotangulia, mafanikio ya maana katika muktadha wa changamoto zinazohusiana na hali ya hewa. Kujaribu kuzuia bei duni za mnada za zote majani chai na kahawa, biashara ilihakikisha kulenga katika kuuza zaidi bidhaa hizi mbili kibinafsi ijapokuwa bei zilizopatikana katika mikataba ya kibinafsi hazikuwa bora zaidi kuliko zilizopatikana katika minada.

Bei ya wastani iliopatikana ya majani chai ilipungua sana kuwa USD 1.62/kg ikilinganishwa na USD 2.03/kg katika mwaka wa kifedha uliotangulia. Bei ya wastani iliopatikana kwa kahawa ilikuwa USD 3.07/kg ikilinganishwa na USD 4.29/kg katika mwaka uliotangulia.

Gharama za ufanyaji kazi pia zimeendelea kupanda wakati vyama vya wafanyikazi vikiendelea kudai mishahara ya juu zaidi katika mwaka. Majadiliano ya Mikataba ya makubaliano ya pamoja yalimalizwa yakisababisha ongezeko katika mishahara ilioathiri sana gharama za uzalishaji.

Kiulinganishi gharama za mwaka za uzalishaji wa majani chai na kahawa ziliongezeka katika mwaka. Kuanzisha hatua zilizolenga kushughulikia hili, kampuni ililenga sana kwenye kuimarisha ugavi wa majani kijani kutoka yote mashamba yake yenyewe na kutoka taratibu za wapanzi wake. Tulianzisha utumiaji wa teknolojia katika kuvuna majani chai kusaidia kudhibiti gharama za uzalishaji zinazoongezeka kila uchao katika biashara yetu ya majani chai na kuhakikisha uendeleaji kuelekea mbele.

TAARIFA YA MWENYEKITI (KUENDELEZA)

"Tuliendelea kulenga kwetu kwenye elimu kwa vile tunaona hili kama uekezaji muhimu tunaofanya katika maisha ya wafanyikazi wetu na jamii zilizopo yalipo mashamba yetu." ~ Dr. J.B. McFie, PhD, Chairman

MAZINGIRA YA UCHUMI NA BIASHARA (KUENDELEZA)

Halmashauri ya kampuni bado imejitolea kuimarisha thamani ya mwana hisa kwa kila siku kupitia taratibu za uendeshaji shughuli, kuzuia hatari za biashara na za shirika, uvumbuzi na mikakati imara ya teknolojia kuhakikisha biashara inabakia endelevu. Katika mwaka unaopitiwa, Halmashauri ilionyesha kujitolea kwake katika uendelezi wa biashara kwa kukamilisha uekezaji katika vitengo vya biashara vya makadamia na parachichi, na kusaidia katika kuanzisha hatua zilizolenga katika kushughulikia gharama za uzalishaji katika biashara ya majani chai kupitia utumizi wa teknolojia mpya.

Mikataba ya Makubaliano ya Pamoja na Chama cha Wafanyikazi wa Mashamba na Kilimo wa Kenya na Athari yake kwenye Gharama za Uzalishaji

Maafikiano ya mishahara ya biashara ya majani chai na kahawa yanayofanyika kila baada miaka miwili yameendelea. Mikataba ya Makubaliano ya Pamoja inayongoja uamuzi ya kazi za majani chai ya miaka ya 2016, 2017, 2018, na 2019 ambayo ilikuwa haijakamilishwa imekamilishwa na kutiwa sahihi katika mwaka ya asilimia 7%, 8%, 8% na 9% mtawalia. Hili limesababisha ongezeko la kuendelea katika gharama za uzalishaji na kuifanya kampuni kutumia teknolojia katika uvunaji majani chai na hatua nyingine za kudhibiti gharama katika shughuli na kusimamia gharama kuwezesha uendelevu wa shughuli sasa na katika siku zijazo.

UENDELEZI NA MAJUKUMU YA KIJAMII

Elimu/ Ustawi wa Jamii

Tuliendelea kulenga kwetu kwenye elimu kwa vile tunaona hili kama uekezaji muhimu tunaofanya katika maisha ya wafanyikazi wetu na jamii zilizopo yalipo mashamba yetu. Kundi lina shule nne za msingi na moja ya sekondari katika mashamba makubwa ya majani chai na pia linasaidia shule kwenye maeneo ya shughuli zetu za kahawa.

Tunagharamia shule ya chekechea na za msingi katika kitengo chetu cha majani chai, tukitoa elimu ya bure kwa watoto wa waajiriwa,wanaowategemea na wale wa kutoka jamii zilizopo karibu. Tunaendeleza kampeni ya kuhakikisha kuwa watoto wote wa umri wa kwenda shule wapo shule, na tunaunga mkono kikamilifu kanuni yetu kali ya kutotumia wafanyikazi watoto katika shughuli zetu zozote za biashara.

Tunaendelea Kuruzuku lengo hili la maana sana la maendeleo ya elimu kupitia msaada wa kimasomo, ujira na kutoa pesa kuanzisha na kuimarisha shule karibu ya mashamba yetu makubwa. Tumeendelea kutoa msaada kama vile tarakilishi, vifaa vya maabara, vifaa vya michezo na vya kimsingi vya kusomea kwa shule za msingi mbali ya kuwapatia viatu, seti za hisabati na vitabu vya hadithi kwa watoto wa umri wa kwenda shule ya msingi.

Tuna vituo sita vya chekechea katika mashamba yetu ya majani chai na vyengine sita vya chekechea katika shughuli zetu za kahawa ambapo watoto wadogo wanashughulishwa na kulishwa kila siku wakati wazazi wao wanaenda kazini. Tunaendelea na kujitolea kwetu kuimarisha ustawi wa waajiriwa wetu na familia zao.Kundi linatoa huduma za kijamii na ustawi kwa watu wetu wote wa sasa walio waajiriwa wa kudumu na wa msimu walio kama 4,500 pamoja na zaidi ya wategemezi wao 15,000 wanaoishi katika mashamba na tunajitolea kuendeleza jambo hili la maana la kuwa raia mzuri wa kishirika na kuwa msaidizi kwa jamii tunakoishi na kufanya kazi.

Kundi linagharamia kituo cha tiba chenye vifaa vingi na chenye matibabu ya kulazwa na ya kwenda na kurudi katika mashamba makubwa ya majani chai. Pia linadumisha zahanati tatu tegemezi zenye wafanyikazi wa kimatibabu wenye mafunzo mazuri na maabara ya uchunguzi. Vituo hivyo pia vina ambulensi zilizopo tayari kwa tukio la wagonjwa mahututi watakaohitaji kusafirishwa katika vituo vikubwa vya afya. Vituo hivi vinahudumia wote waajiriwa wa kampuni na wakaaji wa eneo.

Wakulima Wadogo na Jamii

Siku ya mkulima ya kila siku ilisherehekewa kama kawaida tarehe 6 Desemba 2019 katika shamba letu la Kamundu, Kiambu.Tulitumia fursa hiyo kuwaelimisha wakulima wetu wapanzi kuhusu elimu ya kifedha, mbinu za ukulima endelevu na utumizi wa teknolojia katika ukuzaji wa kahawa, makadamia na miti ya parachichi na pia uchaguzi wa uekezaji mpya. Tukio hili limebakia muhimu sana kwetu tunapolitumia kuimarisha mbinu za wapanzi katika maeneo ya mazao matatu yaliotajwa hapo juu. Limekuwa la kufaulu sana kwetu hadi tumeamua kuendesha tukio sawa na hilo kwa wakulima wetu wapanzi wa majani chai mapema mwaka wa 2020. Tumeona wakulima wakipata na kutekeleza mbinu hizi mpya zikisababisha desturi nzuri za sayansi ya uchumi wa kilimo na mwishowe mazao bora zaidi yakiwafaidi wote wakulima na kampuni. Tumeendelea kutoa mbegu mpya za majani chai, kahawa, parachichi na makadamia na pia mbolea kusaidia mipango yetu ya wapanzi katika jamii zilizopo yalipo mashamba yetu.

Uendelevu wa Kijumla

Tunaziangalia siku hizi za wakulima kama mchango wa maana sana katika kusaidia jamii zetu kushughulikia umaskini, njaa na kuimarisha utajiri na hali njema. Na zaidi ya hili, tumejitolea kuimarisha elimu bora, kuendeleza usawa wa kijinsia katika utekelezaji wetu wa uandikaji kazi, kutoa maji safi na udhibiti afya katika vituo vyetu vyote tukiimarisha maisha kwenye ardhi kwa kufuata desturi endelevu za kilimo zinazohakikisha tunatimiza wajibu wetu wa kuzuia utumizi mbaya wa ardhi kwa kuhimiza utumizi na uzalishaji wa kuwajibika katika shughuli zetu. Tumeendelea kujitolea kuimarisha uendelevu wa kimazingira kupitia usimamizi bora zaidi wa msitu wa miti milioni 1.2 tulionayo katika mashamba yetu makubwa na tutabakia tumelenga kwenye hili katika miaka inayokuja.

Uthibitishaji wetu wa Muungano wa Misitu ya Mvua ni hai na tumehakikisha kuwa kwa zote shughuli zetu za majani chai na kahawa, tunashughulikia vya kutosha maswala yanayoimarisha kichanya changamoto za kimazingira, kijamii na kiuchumi zinazokabiliwa na mashamba yetu wenyewe ya majani chai na kahawa, mashamba ya wapanzi na jamii zilizopo karibu.

TAARIFA YA MWENYEKITI (KUENDELEZA)

"Tunaingia katika mwaka mpya wa kifedha na biashara zetu za parachichi na makadamia zikiendeshwa kikamilifu. ." ~ Dr. J.B. McFie, PhD, Chairman

UENDELEZI NA MAJUKUMU YA KIJAMII (KUENDELEZA)

Uendelevu wa Kijumla (Kuendeleza)

Tumeendelea kutumia maarifa tuliopata katika miaka tuliofaulu katika kilimo kufundishia mtazamo sawa endelevu katika maeneo yetu mapya ya mazao ya parachichi na makadamia. Tukiwa tumeanzisha kwa ufaulu yote mazao haya mapya, tunafuraha kuripoti kuwa mtazamo wetu kwa biashara hizi mpya ni sawa na mtazamo wetu wa kijumla wa kuendesha biashara zetu za kiasili za majani chai na kahawa.

TUKIANGAZA MBELE

Katika mwaka 2018, tulianzisha uvunaji wa majani chai wa mashine katika shamba letu la majani chai la Magura na tuliendeleza hili katika mwaka 2019 na upanuzi wa mashine za uchumaji majani chai katika shamba hili na pia katika shamba la majani chai la Kiptenden. Tutaendelea kuendeleza hili katika mashamba yetu wenyewe na kutumia teknolojia hii kusaidia uchumaji wa sasa wa majani chai wa mikono kwa mtazamo wa kukamilishana. Tunaendelea na ufunzaji wa wafanyikazi katika teknolojia hizi mpya na tuna imani kuwa tutafaulu. Kulenga kwetu kwenye uvunaji wa majani bora ya kijani na uzalishaji wa baadaye wa majani chai meusi yenye ubora mkuu unabakia sawa.

Tunaingia katika mwaka mpya wa kifedha na biashara zetu za parachichi na makadamia zikiendeshwa kikamilifu. Tumeendelea kupanda mashamba yetu wenyewe ya mazao yote mawili katika mwaka 2019 na tutaendelea utoaji uliopangwa na wa muda katika mwaka 2020 kuhakikisha ugavi wetu wa siku za usoni wa yote mazao mawili kusaidia vitengo hivi vya biashara. Uingizi wetu wa mwanzo katika masoko ya kibiashara ya mazao yote mawili umekuwa wa kutia moyo na mipango yetu katika siku za usoni ni pamoja na mchango thabiti kwa biashara yetu kutoka kwa mazao haya mawili muhimu kusaidia kupanua pato letu na kupunguza utegemezi wetu kwenye majani chai na kahawa.

Kwa mazao yetu ya asili ya majani chai na kahawa, mlengo wetu utaongozwa na uimarishaji wetu wa kuendelea katika maeneo ya ubora na usimamizi imara wa gharama yetu ya uzalishaji. Tuna imani kuwa hili litaendeleza ushindani wetu katika soko na kutupa bei zitakazopatikana tunazohitaji, kuwa na faida.

Katika mwaka 2019, chini ya uongozi wa Mkurugenzi Mkuu mpya wa Kundi , usimamizi wa kundi na Halmashauri walifanya kazi pamoja kubuni na kupitisha mfumo wa kimkakati mpya utakaoongoza shughuli za biashara yetu katika miaka 3 -5 ijayo. Chini ya mtazamo huu mpya, tutalenga katika nguzo sita kuu;

1. Kusukuma kwa nguvu utamaduni wa utendaji katika shirika kusaidia kuimarisha upangaji wa uendeshaji shughuli na utekelezaji wa vitengo vyote vya biashara;
2. Kuendelea kulenga wazi kwenye, na kufungamanisha shirika kuwa angalifu wa gharama katika shughuli zake zote;
3. Kuimarisha kulenga kwetu kwenye mambo ya biashara kuamsha mauzo ya shirika na juhudi za uuzaji hasa kwa biashara zetu mpya za parachichi na makadamia;
4. Kuongeza kulenga kwetu kwenye upangaji wa vipawa, usimamizi, maendeleo, na uzuiaji wa rasilimali yetu yenye maana zaidi, watu wetu;
5. Kuimarisha usimamizi wetu wa kifedha kuhakikisha uendelezi mzuri wa kifedha wa shirika na kulenga kwa makini kwenye kusimamia hatari ya kimpangilio kusaidia kuhakikisha ukuaji wa shirika na;
6. Kuendelea kujenga biashara ridhaa ilioegemezwa kwenye maadili na desturi endelezi katika kujitolea kwetu kuchangia kwa malengo ya maendeleo endelevu kwa uraia bora zaidi wa kishirika.

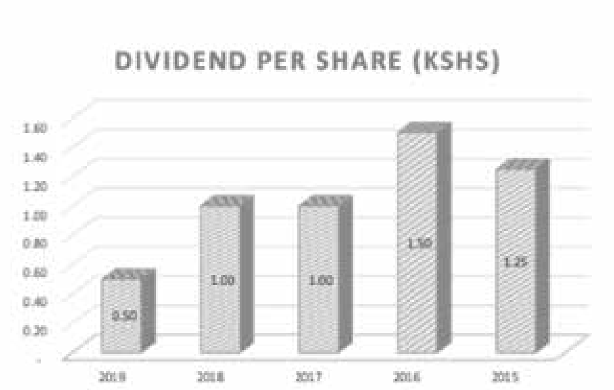
Halmashauri itafanya kazi kwa karibu na Usimamizi kuhakikisha kuwa malengo haya yanasukumwa kwa nguvu na kuwa biashara inaendelea kuendeshwa kwa njia ya kimaadili na endelevu. Uekezaji ambao Halmashauri na kampuni ulisukuma kwenye upanuzi (parachichi na makadamia), unahakikisha kuwa siku zetu za usoni hazikuegemezwa tu kwenye msingi imara wa majani chai na kahawa lakini pia umepanuliwa katika zao jipya na linalokua na maeneo ya utumizi wa matunda na aina za njugu.

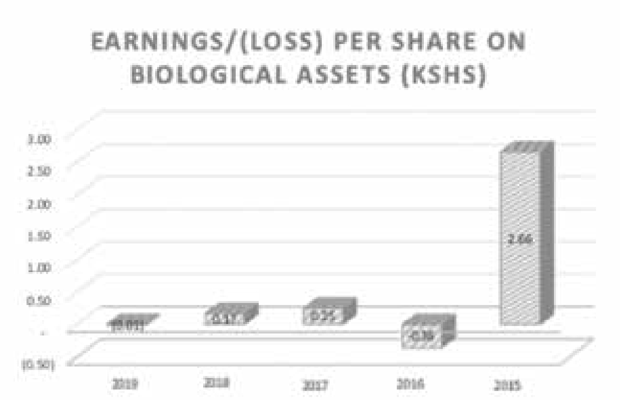
Shukrani

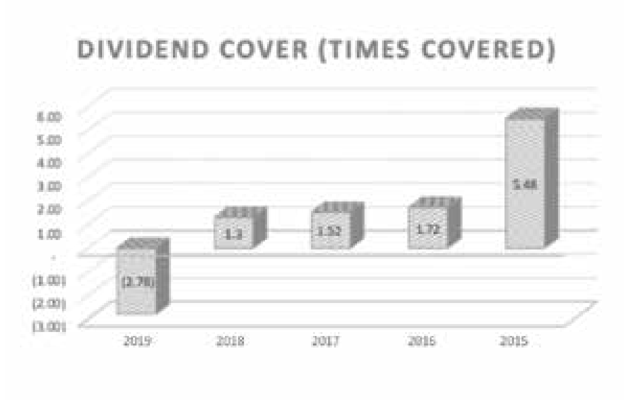
Ningependa kutoa shukrani zangu za dhati kwa wanachama wa Halmashauri, Usimamizi na wafanyikazi wa Sasini PLC na kwa niaba ya Halmashauri, kuwatambua kidhati na kuwashukuru wanahisa wetu adhwimu na washirika kwa msaada wao usiotetereka katika mwaka huu mgumu sana. Tafadhali muniruhusu kuwahakikishia nyote kujitolea kwetu katika kukuza utajiri wa wanahisa katika kampuni na kuhakikisha uekezaji wenu unabakia salama.

Dkt. J. B. McFie, PhD
Mwenyekiti
Tarehe: 18 Desemba 2019.

GRAPHICAL HIGHLIGHTS







Sasini

REPORT OF THE DIRECTORS

The directors have pleasure in submitting their annual report together with the audited consolidated and separate financial statements for the year ended 30 September 2019, 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, coffee and macadamia nuts, the commercial milling and marketing of coffee, value addition operations on related products, forestry, dairy operations, avocado processing and livestock.

2. Results

The results of the Group and Company for the year are set out on pages 37 and 38, respectively.

3. Dividends

A first interim dividend of 50% (KShs 0.50 per share: 2018 – 50%: KShs 0.50 per share) was declared and paid on 16 July 2019. The directors do not recommend the payment of a second interim dividend (2018 – 50%: KShs 0.50 per share was declared and paid).

4. Equity and reserves

The authorized issued share capital and reserves of the Group and Company at 30 September 2019 and matters relating thereto are set out in notes 28 and 29 to the financial statements. No shares or debentures were issued during the year ended 30 September 2019.

Full details of the Group and Company reserves and movements therein during the year are shown on pages 41, 42, 43 and 44.

5. Property, plant and equipment

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

6. Directors

The directors who served during the year and up to the date of this report are set out on page 1.

In accordance with regulation 94 and 95 of the Articles of Association, Dr. S.O Mainda and Mr. A.Butt retire by rotation, and being eligible, offer themselves for re-election.

7. Business review

Performance and position of the Group

The expectation for the year's performance was severely affected by the collapse of the tea and coffee prices experienced during the year. This was further compounded by severe weather conditions, low prices realization, high cost of production manifested in labour and input costs and lower productions volumes especially in tea. The prices were constantly lower than the cost of production leading to the absorption of cash reserves for the support of the continuation of the business. Nonetheless the avocado business maintained a steady and profitable performance in its 2nd year of full operation but was also heavily affected by a poor crop and harvest due to the failed rains in the year. The Group shipped 55% of the intended volume as the key catchment areas for fruit were hit heavily by dry weather and therefore related poor yield.

During the year, the Group launched the macadamia commercial processing and trading having completed the capital investments in the construction of the factory in late 2018. The business however only started trading in the last quarter of the financial year and there are indications that going forward, this business unit is poised to be a central part and contributor to our operations and profits.

The Group recorded a decline in turnover of 20% to KShs.2.8 billion compared to KShs 3.5 billion last year, cost of sales declined by 11% to KShs 2.4 billion against prior year of KShs 2.7 billion and consequently a reduction in gross profit to KShs 434.7 million compared to KShs 852.1 million for the previous year.

The average price realized for tea marginally decreased to USD 1.62/kg (KShs 165/kg) compared to USD 2.03/kg (KShs 207/kg) in the previous financial year. The average price realized for coffee was USD 3.07/kg compared to USD 4.29/kg in the previous year.

Tea production during the year declined by 14% to 9,318 tonnes of made tea down from 10,804 tonnes achieved in the previous year.

The Coffee estates produce went through a challenging period following prolonged extreme cold weather in prior year coupled with a dry period in the second quarter, which affected quality size of the coffee beans and prices. Generally, global coffee prices dipped to their lowest. Production however, was higher at 986 tonnes exceeding 891 tonnes produced in the previous year.

Principal risks and uncertainties

The Group's activities expose it to a variety of risks and uncertainties. These can be categorised as agricultural risks, financial risks and operational risks.

Agricultural risk is the risk of direct or indirect loss arising from adverse agricultural conditions such as disease outbreaks, floods, droughts and other adverse weather events caused by climatic changes. The increased frequency and severity of droughts and floods is a concern. The Group has adopted strategies to mitigate agricultural risk which include: agricultural diversification of products and processes and the adoption of sound agricultural practices.

The Group's risk management process with respect to agricultural risk focuses on anticipating, avoiding and/or reacting to shocks attributable to adverse agricultural conditions. The Group's objective is to achieve an efficient risk management system for agriculture that preserves the value of agricultural outputs, strengthens the viability of farm businesses, and ensures an environment which supports and sustains continued investment in the farming sector.

The Group's principal financial instruments arising from the operations comprising of cash and cash equivalents, investments, receivables, bank loans and payables expose it a variety of financial risks. These risks include market risks (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 any potential adverse effects on its financial performance (Note 5).

REPORT OF THE DIRECTORS (CONTINUED)

7. Business review (continued)

Principal risks and uncertainties

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 such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour, poor infrastructure, especially rural and trunk roads, land tenure issues and increasing labour costs arising from union demands. 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 but 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 the appropriate recruitment of competent personnel and the 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;
- Requirements for the reporting of operational losses and proposed remedial action;
- Development of contingency plans;
- Training and professional development;
- Ethical and business standards; and
- Risk mitigation, including insurance where this is effective.

On environmental and social sustainability risks, the Group is committed to sustainability and acting in a responsible manner to promote employee well-being, minimise our impact on the environment and give back to the wider community. The Group's has built partnerships with our employees, clients, investors, suppliers and communities based on mutual respect, trust and fairness.

The Group continues to take good care of the immediate environment by planting trees on all available land. Equally, tillage is kept to a bare minimum in order to conserve top soil. We are certified by the Rainforest Alliance. The employees are well looked after with clean and hygienic housing provided by the company, piped water in all the villages and day care centres for the toddlers and schools for older children. The Group has established four primary schools and one secondary school within its premises. We ensure complete adherence to the collective bargaining agreements and local legislation.

Future outlook

The Group's diversification program remained on course and geared towards improving performance in the future. The avocado business maintained a steady and profitable performance in its 2nd year of full operation but was also heavily affected by a poor crop and harvest due to the failed rains in the year. During the year, the macadamia unit was able to process all the nut in shell and embarked on the crucial aspect of identifying, interacting with and building commercial alliances with potential clients for this business line. In years going forward, this business unit is poised to be a central part and contributor to our operations and profits.

In the year, we initiated mechanical harvesting of tea in some of our farms using handheld machines.

We will continue to advance this in our own estates and implement the technology to support the current manual tea plucking in a complementary approach. We continue with training of the workforce towards these new technologies and are confident that we will be successful. Our focus on quality green leaf harvesting and subsequent production of high-quality black tea remains intact.

We go into the new financial year with our avocado and macadamia businesses fully operational. We have continued to plant our own orchards with both crops in 2019 and will continue the planned and periodic roll out into 2020 to guarantee our future supply of both crops to support these business units. Our initial foray into the commercial markets for both crops has been very encouraging and our plans into the future include a strong contribution for our business coming from these two key crops to help diversify our income and reduce our reliance on tea and coffee.

For our traditional crops of tea and coffee, our focus will be driven by our continuous improvements in the areas of quality and strong management of our cost of production. We are confident that this will enhance our competitiveness in the market and give us the price realisations we need to stay profitable.

The other new line which is avocado trading, has shown promise of bolstering revenue in the coming years.

The management is constantly exploring new lines and ideas in a bid to fit in with the changing business environment and also expand and enhance shareholder value. Emphasis on quality coupled with quantity and underscored with sustainability remain top on the agenda for delivery.

8. Donations

The Group did not make donations to any political entity during the year.

Donations of KShs Nil (2018 – KShs 1,100,000) were made to charitable organisations during the year.

9. Relevant audit information

The Directors in office at the date of this report confirm that:

- There is no relevant audit information of which the Company's auditors are unaware; and
- Each director has taken all the steps that they ought to have taken as a director so as to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

REPORT OF THE DIRECTORS (CONTINUED)

10. 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 %	
	2019	**2018**
Legend Investments Limited	41.84	41.84
Yana Towers Limited	12.60	12.60
East Africa Batteries Limited	11.02	11.02
Gulamali Ismail	8.80	8.80
	74.26	74.26

Directors' interests

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

	2019	2018
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

Some of the other directors have indirect interests through entities.

11. Employees

The Group maintained a good relationship with the employees during the year. The average number of staff employed by the Group and Company was as below:

	Group		Company	
	2019	**2018**	**2019**	**2018**
Management	166	166	97	97
Other staff	3,718	3,958	579	782
Total	**3,884**	**4,124**	**676**	**879**

12. Auditor

The auditor, KPMG Kenya, is eligible and hereby offer themselves for re-appointment in accordance with the requirements of the Kenyan Companies Act, 2015.

13. Approval of financial statements

The financial statements were approved and authorised for issue at a meeting of the directors held on 18 December 2019.

BY ORDER OF THE BOARD

Lawrence Chelimo Kibet CPS-K
Company Secretary
Date: 18 December 2019.

RIPOTI YA WAKURUGENZI

Wakurugenzi wana furaha ya kuwasilisha ripoti yao ya kila mwaka pamoja na taarifa jumlishi na za kandokando za kifedha za mwaka unaoishia tarehe Septemba 2019, zinazoonyesha hali ya Kundi na Kampuni.

1. Shughuli

Shughuli kuu za Kampuni na kampuni zake tanzu ni ukuzaji, utengenezaji na mauzo ya majani chai, kahawa na makadamia na biashara ya usagaji na uuzaji wa kahawa, shughuli za kuongeza thamani kwenye bidhaa zinazohusika nazo, kilimo cha misitu, shughuli za maziwa, utengenezaji wa bidhaa za parachichi na mifugo.

2. Matokeo

Matokeo ya mwaka ya Kundi na Kampuni yameonyeshwa kwenye kurasa za 37 na 38, mtawalia.

3. Mgawo wa Faida

Mgawo wa kwanza wa muda wa asilimia 50 (KShs 0.50 kwa hisa: 2018 – asilimia 50: KShs 0.50 kwa hisa) ulitangazwa na kulipwa tarehe 16 Julai 2019. Wakurugenzi hawapendekezi mgawo wa pili wa muda.

4. Rasilimali ya Hisa na Akiba

Rasilimali ya hisa na akiba za Kampuni na Kundi zilizoidhinishwa na kutolewa kufikia tarehe 30 Septemba 2019 na mambo yanayohusiana nazo yanaonyeshwa kwenye tanbihi 28 na 29 za taarifa za kifedha. Hakuna hisa wala stakabadhi za mkopo zilizotolewa katika mwaka ulioishia tarehe 30 Septemba 2019.

Maelezo kamili ya akiba ya Kundi na Kampuni na mienendo yake katika mwaka yameonyeshwa kwenye kurasa 41, 42, 43 na 44.

5. Mali, Mtambo na Vifaa

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

6. Wakurugenzi

Wakurugenzi waliohudumu mwaka huu na mpaka tarehe ya ripoti hii wameonyeshwa katika ukurasa wa 1. Kulingana na ibara za 94 na 95 za Kanuni za Kampuni, Dkt. S.O. Mainda na Bw. A. Butt wanastaafu kwa zamu na kwa kuwa wanastahili, wanajitolea kuchaguliwa tena.

7. Mapitio ya biashara

Utendaji na Nafasi ya Kundi

Matarajio yetu ya utendaji wa mwaka huu yaliathiriwa sana na kuporomoka kwa bei za majani chai na kahawa katika mwaka huu. Hili lilizidishwa zaidi na hali mbaya za hewa, upatikanaji wa bei za chini, gharama za juu za uzalishaji zikijitokeza katika gharama za ufanyaji kazi na za pembejeo na viwango vya chini vya uzalishaji hasa vya majani chai. Bei mara kwa mara zilikuwa chini zaidi ya gharama za uzalishaji ikisababisha utumizi wa akiba ya fedha kusaidia uendelezaji wa biashara. Hata hivyo biashara yetu ya parachichi ilidumisha utendaji thabiti na wenye faida katika mwaka wake wa pili wa kushughulika kikamilifu lakini pia iliathiriwa pakubwa na mazao na mavuno duni kutokana na mvua kutonyesha katika mwaka. Tulisafirisha asilimia 55 ya viwango vyetu tulivyokusudia kwa vile maeneo yetu muhimu ya matunda hayo yaliathiriwa vibaya na kiangazi na hivyo mazao duni yaliopatikana.

Katika mwaka, tulianzisha utengenezaji wa kibiashara na uuzaji wa makadamia tukiwa tumekamilisha uekezaji wa mtaji katika ujenzi wa kiwanda mwishoni mwa mwaka 2018. Ijapokuwa biashara ilianza tu uuzaji katika robo ya mwisho ya mwaka wa kifedha na kuna dalili kuwa kuendelea mbele, kitengo hiki cha biashara kiko tayari kuwa sehemu na mchangizi muhimu kwa shughuli na faida zetu.

Kundi lilirekodi kupunguka kwa kiasi cha asilimia 20 kuwa KSh. bilioni 2.8 ikilinganishwa na KSh. bilioni 3.5 mwaka jana, gharama za mauzo zilipungua kwa asilimia 11 kuwa KSh. bilioni 2.4 dhidi ya KSh. bilioni 2.7 mwaka uliotangulia na hivyo upungufu katika jumla ya faida kuwa KSh. milioni 434.7 ikilinganishwa na KSh. milioni 852.1 ya mwaka uliotangulia.

Bei ya wastani iliopatikana kwa majani chai ilipungua kidogo kuwa USD 1.62/kg (KSh. 165/kg) ikilinganishwa na USD 2.03/kg (KSh. 207/kg) katika mwaka wa kifedha uliopita. Bei ya wastani iliopatikana ya kahawa ilikuwa USD. 3.07/kg ikilinganishwa na USD. 4.29/kg mwaka uliotangulia.

Uzalishaji wa majani chai ulipungua katika mwaka kwa asilimia 14 kuwa tani 9,318 za majani chai yaliotengenezwa upungufu kutoka tani 10,804 zilizopatikana mwaka uliotangulia.

Mazao ya mashamba ya kahawa yalipitia kipindi kigumu kufuatia hali ya baridi nyingi sana ya muda mrefu mwaka uliotangulia ikijumuishwa na kipindi cha kiangazi katika robo ya pili, kilichoathiri ubora wa ukubwa wa buni na bei za kahawa. Kwa jumla, bei za kidunia za kahawa zilipungua sana hadi kiwango chake cha chini kabisa. Hata hivyo uzalishaji, ulikuwa wa juu zaidi wa tani 986 ukipita tani 891 zilizozalishwa mwaka uliotangulia.

Hatari Kuu na Hali za Kutokuwa na Uhakika

Shughuli za kundi zinaliwacha wazi kwa hatari tofauti na hali za kutokuwa na uhakika. Hizi zinaweza kuainishwa kama hatari za kilimo, hatari za kifedha na hatari za uendeshaji shughuli.
Hatari ya kilimo ni hatari ya hasara ya moja kwa moja au isiyo ya moja kwa moja inayotokana na hali mbaya za kilimo kama kuzuka kwa magonjwa, mafuriko, ukame na matokeo mengine mabaya ya hali za hewa yanayosababishwa na mabadiliko ya hali ya tabia nchi. Matokeo zaidi ya ukame mkali na mafuriko ni ya kutia wasiwasi. Kundi limeanzisha mikakati ya kuzuia hatari ya kilimo ambayo ni pamoja na: upanuzi wa bidhaa na taratibu za kilimo na utumizi wa desturi za kilimo za busara.

Njia ya usimamizi wa hatari ya kundi kuhusiana na hatari ya kilimo hulenga kwenye kutazamia, kuepuka na/au kupinga mapigo yanayotokana na hali mbaya za kilimo. Lengo la Kundi ni kupata mfumo ufaao wa usimamizi wa hatari za kilimo unaohifadhi thamani ya mazao ya kilimo, unaoimarisha uwezekano wa biashara za kilimo, na kuhakikisha kuwepo kwa mazingira yanayosaidia na kuendeleza utegaji uchumi unaoendelea katika sekta ya ukulima.

Shughuli kuu za kifedha za Kundi zinazotokana na uendeshaji kazi zikiwa fedha tasilimu na ulinganifu wa fedha tasilimu, vitega uchumi, mapato, mikopo ya benki na ya kulipwa zinaiacha wazi kwa hatari tofauti za kifedha. Hatari hizi ni pamoja na hatari za soko (zikijumuisha ya ubadilishaji fedha za kigeni, hatari ya kiwango cha riba na hatari ya bei), hatari ya mkopo, hatari ya upataji fedha na hatari ya uendeshaji shughuli. Wakurugenzi hupitia na kukubaliana sera za kuzuia hatari hizi.

RIPOTI YA WAKURUGENZI (KUENDELEZA)

7. Mapitio ya biashara (Kuendeleza)

Hatari Kuu na Kutokuwa na Uhakika (kuendeleza)

Halmashauri ya wakurugenzi ina wajibu wa jumla wa uundaji na uangalizi wa mfumo wa usimamizi wa hatari za kundi. Mpango wa jumla wa usimamizi wa hatari za kundi unalenga kwenye kutotabirika kwa masoko ya kifedha na hutefuta kupunguza athari zozote mbaya katika utendaji wake wa kifedha (Tanbihi 5).

Hatari ya uendeshaji shughuli ni hatari ya moja kwa moja au isiyo ya moja kwa moja inayotokana na sababu nyingi tofauti zinazohusishwa na taratibu za Kundi, wafanyikazi, teknolojia na muundomsingi, na kutokana na vipengele vya nje kama vile vinavyotokana na mahitaji ya kisheria na kikanuni na viwango vya kawaida vinavyokubalika vya mwenendo wa shirika, muundomsingi mbaya , hasa barabara za vijijini na barabara kuu, maswala ya umiliki wa ardhi na gharama za wafanyikazi zinazoongezeka kutokana na madai ya muungano wa wafanyikazi. Lengo la Kundi ni kusimamia hatari za uendeshaji shughuli ili kusawazisha na kuepuka hasara za kifedha na madhara kwa sifa za Kundi na gharama muafaka ya jumla lakini kuepuka taratibu za mamlaka zinazozuia ari na ubunifu.

Jukumu muhimu la maendeleo na utekelezaji wa vidhibiti kushughulikia hatari za uendeshaji shughuli linapatiwa usimamizi. Jukumu hili linasaidiwa na uendelezi wa viwango vya jumla vya Kundi kwa usimamizi wa hatari za uendeshaji shughuli katika maeneo yafuatayo:

- Mahitaji ya uajiri sawa wa wafanyikazi stadi na ugawaji wa kazi, pamoja na kuruhusu uhuru wa kuendesha biashara;
- Mahitaji ya upatanisho na usimamizi wa kuendesha biashara;
- Utimizaji wa mahitaji ya kikanuni na mengineyo ya kisheria;
- Uwekaji rekodi wa vidhibiti na taratibu za kazi;
- Mahitaji ya upimaji wa kila baada ya muda wa hatari za uendeshaji shughuli zinazokabiliwa, na utoshelevu wa vidhibiti na taratibu za kushughulikia hatari zilizotambuliwa;
- Mahitaji ya kuripoti hasara za uendeshaji shughuli na hatua inayopendekezwa ya kurekebisha;
- Uendelezaji wa mipango ya mambo yasiyotarajiwa;
- Mafunzo na maendeleo ya weledi wa kazi;
- Viwango vya kimaadili na kibiashara; na
- Uzuiaji wa hatari, pamoja na bima pale hili linapofaa.

Kuhusu hatari za uendelezaji wa kimazingira na kijamii, Kundi limejitolea katika uendelevu na kutenda kiwajibu kuendeleza ustawi wa mwajiriwa, kupunguza athari yetu kwenye mazingira na kuitumikia jamii pana. Kundi limejenga ubia na wafanyikazi wetu, wateja, wategа uchumi, wagavi na jamii kwa misingi ya kuheshimiana, kuaminiana na usawa.

Kampuni inaendelea kutunza vyema mazingira yao ya karibu kwa kupanda miti kwenye ardhi yote iliopo. Pia ulimaji unafanywa kwa kiwango kidogo sana ili kuhifadhi udongo wa juu. Tumethibitishwa na Muungano wa Misitu ya Mvua. Wafanyikazi wanatizamwa vyema kwa kupatiwa na kampuni makao safi na ya kiafya, maji ya mifereji katika vijiji vyote na vituo vya utunzi wa watoto wachanga na shule za watoto wakubwa. Kampuni imeanzisha shule 4 za msingi na 1 ya sekondari katika maeneo yake. Tunahakikisha ufuataji kamili wa mikataba ya mapatano ya pamoja ya mishahara na sheria za nchini.

Mtazamo wa Mbele

Mpango wa Kundi wa kupanua biashara uliendelea na kulenga katika kuimarisha utendaji katika siku za usoni. Biashara ya parachichi ilidumisha utendaji imara na wa faida katika mwaka wake wa 2 wa kushughulika kikamilifu lakini pia iliathiriwa vibaya na mazao na mavuno duni kutokana na mvua zilizokosa kunyesha katika mwaka. Katika mwaka, kitengo cha makadamia kiliweza kutengeneza makadamia yote yaliokuwa yaliokuwa katika makaka na kuanza jambo muhimu la kutambua, kuingiliana na kujenga uhusiano wa kibiashara na wanaoweza kuwa wateja kwa biashara hii. Katika miaka inayokuja, kitengo hiki cha biashara kiko tayari kuwa sehemu na mchangizi mkuu kwa shughuli na faida zetu.

Tulianzisha uvunaji wa majani chai kwa mashine katika mwaka katika baadhi ya mashamba yetu tukitumia mashine za mkono. Tutaendelea kuendeleza hili katika mashamba yetu wenyewe na kutekeleza teknolojia hii kusaidia uchumaji wa sasa wa mkono wa majani chai kwa njia ya kukamilishana.Tunaendelea na ufunzaji wa wafanyikazi katika teknolojia hizi mpya na tuna imani kuwa tutafaulu. Kulenga kwetu kwenye uvunaji bora wa majani ya kijani na uzalishaji baadaye wa mjani chai meusi yenye ubora mkuu kunabakia sawa.

Tunaingia katika mwaka mpya wa kifedha na biashara zetu za parachichi na makadamia zikiendeshwa kikamilifu.Tumeendelea kupanda mashamba yetu wenyewe ya mazao yote mawili katika mwaka 2019 na tutaendelea na utoaji uliopangwa na wa muda katika mwaka 2020 kuhakikisha ugavi wetu wa siku za usoni wa yote mazao mawili kusaidia vitengo hivi vya biashara. Uingizi wetu wa mwanzo katika masoko ya kibiashara ya mazao yote mawili umekuwa wa kutia moyo na mipango yetu katika siku za usoni ni pamoja na mchango thabiti kwa biashara yetu kutoka kwa mazao haya mawili muhimu kusaidia kupanua pato letu na kupunguza utegemezi wetu kwenye majani chai na kahawa.

Kwa mazao yetu ya asili ya majani chai na kahawa, mlengo wetu utaongozwa na uimarishaji wetu wa kuendelea katika maeneo ya ubora na usimamizi imara wa gharama yetu ya uzalishaji. Tuna imani kuwa hili litaendeleza ushindani wetu katika na kutupatia bei zitakazopatikana tunazohitaji kuwa na faida.

Biashara nyingine mpya ambayo ni uuzaji wa parachichi, imeonyesha matumaini ya kuongeza pato katika miaka inayokuja.

Kila mara Usimamizi unatafuta biashara mpya na mipango katika jitihada kuweza kuendesha shughuli katika mazingira ya biashara yanayobadilika na pia kupanua na kuendeleza thamani ya mwanahisa. Msisitizo kwenye ubora pamoja na wingi na ukikazaniwa na uendelevu, unabakia muhimu kwenye ajenda ya utendaji.

8. Michango

Kampuni haikutoa michango yoyote kwa chama chochote cha kisiasa katika mwaka (2018 – 1,100,000) ilitolewa kwa mashirika ya kutoa misaada katika mwaka.

9. Habari Husika za Ukaguzi wa Hesabu

Wakurugenzi walioko mamlakani tarehe ya hii ripoti wanahakikisha kwamba:

— Hakuna habari husika za ukaguzi wa hesabu ambazo wakaguzi wa hesabu wa Kampuni hawajui; na
— Kila mkurugenzi amechukua hatua zote ambazo wanahitaji kuwa wamechukua kama mkurugenzi ili ajue habari zozote husika za ukaguzi wa hesabu na kuhakikisha kuwa wakaguzi wa hesabu wa Kampuni wana ufahamu wa habari hizo.

RIPOTI YA WAKURUGENZI (KUENDELEZA)

10. Umilikaji wa Hisa Nyingi

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

	Umilikaji wa hisa %	
	2019	**2018**
Legend Investments Limited	41.84	41.84
Yana Towers Limited	12.60	12.60
East Africa Batteries Limited	11.02	11.02
Gulamali Ismail	8.80	8.80
	74.26	**74.26**

11. Wafanyikazi

Kundi liliendeleza uhusiano mwema na wafanya kazi katika kipindi cha mwaka wote. Kima cha idadi ya wafanya kazi walioajiriwa na kundi na kampuni ni kama ifuatavyo:

	Kundi		Kampuni	
	2019	**2018**	**2019**	**2018**
Wakala wasimamizi	166	166	97	97
Wafanyakazi wengine	3,718	3,958	579	782
Total	**3,884**	**4,124**	**676**	**879**

12. Ushirika wa Wakurugenzi

Ushirika wa wazi wa wakurugenzi katika hisa za Kampuni ni kama ufuatao:

	2019	2018
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

Baadhi ya wakurugenzi wengine wana ushirika usiokuwa wa wazi kupitia vyombo vyengine.

13. Wakaguzi

Wakaguzi, KPMG Kenya, wanastahili na hapa wanajitolea kuteuliwa tena kufuatana na mahitaji ya Sheria za Kampuni za Kenya, mwaka 2015.

14. Kuidhinishwa kwa taarifa za kifedha

Taarifa za kifedha ziliidhinishwa kutolewa katika mkutano wa wakurugenzi uliofanyika tarehe 18 Desemba 2019.

KWA AMRI YA HALMASHAURI

Lawrence Chelimo Kibet CPS-K
Katibu wa Kampuni
Tarehe: 18 Desemba 2019.

DIRECTORS REMUNERATION REPORT

This Directors' remuneration report sets out the remuneration arrangements for Sasini PLC directors for the year ended 30 September 2019.

Details of directors

The remuneration report details the remuneration arrangements for directors who served during the year. The executive and non-executive directors listed below are collectively referred to as directors.

Name	Position
Dr. J. B. McFie, PhD, MBS	Chairman – Non-executive Director
Dr. N. N. Merali, PhD, CBS	Non-executive Director
A. H. Butt, CPA (Kenya), FCCA	Non-executive Director
S. N. Merali, Bsc, MSc	Non-executive Director
Dr. S. O. Mainda, PhD, MA, ACII, EBS	Non-executive Director
Betty Koech, MBA, BCom	Non-executive Director
Rosemary Munyiri, MSc, BCom, CPA (Kenya), CISA	Non-executive Director
S. M. Githiga, MBA, Bsc, CPA (Kenya)	Group Managing Director (Retired 31 December 2018)
M. R. Ochieng, MBA,Bsc	Group Managing Director (Appointed on 1st March 2019)

Remuneration Policy for the Non-Executive Chairman and Non-Executive Directors

The remuneration of the Non-Executive Chairman and Non-executive Directors is determined by the Remuneration and Nomination Committee. These Board members receive annual fees and allowances for attending meetings. Non-Executive roles are not entitled to any performance related pay or pension.

The Non-Executive Chairman and Non-Executive Directors do not have service contracts. The Company's policy is to appoint the Non-Executive Directors for an initial three-year period, which may be extended for a further term by mutual consent. The initial appointments and any subsequent reappointments are subject to annual election or re-election by shareholders.

Non-Executive Directors' appointments may be terminated at any time by serving three months' written notice by either party, but six months' in the case of the Non-Executive Chairman.

Non-Executive Director Remuneration Policy

The fees for Non-Executive Directors are set at a level which is considered appropriate to attract individuals with the necessary experience and ability to oversee the business. Fees are paid in cash.

The amount of fees reflects the attached responsibility and time commitment. Additional fees are paid for further responsibilities such as chairing committees and sitting on appointed board committtes.

The value of benefits provided will be reasonable in the market context and take account of the individual circumstances and benefits provided in comparable roles for companies within the Industry.

Remuneration Policy for the Executive Director

The remuneration of the Executive Director including but not limited to contract terms, monthly pay and participation in the Company's short and long term incentive plans are set by the Remuneration and Nomination Committee.

The Company's policy is to appoint the Executive Director for an initial two-year period, which may be extended for a further term by mutual consent. The initial appointments and any subsequent reappointments are subject to annual review by the Remuneration and Nomination Committee.

The salary for the Executive Director is set at a level which is considered appropriate to attract an individual with the necessary experience and ability to oversee the business. The salary is paid in cash. This is subject to annual review in October of each year. Judgement is used but consideration is given to a number of internal and external factors including responsibilities, market positioning, inflation and company performance.

Other benefits provided include: medical cover, pension and club membership and other non-cash benefits. Travel and other reasonable expenses (including any associated taxes) incurred in the course of performing their duties are reimbursed. These ensure the package is competitive.

Changes to directors' remuneration

There were no substantial changes relating to the directors' remuneration made during the year (2018: None).

Contract of service – Executive directors

Name	Date of contract	Unexpired term	Notice period	Amount payable for early termination/retirement
S. M. Githiga	31 December 2016	Expired 31 December 2018	N/A	N/A
M.R. Ochieng	1 March 2019	2 yrs 5 months	3 months	Salary in lieu of notice period

DIRECTORS REMUNERATION REPORT (CONTINUED)

Directors' remuneration paid during the year

Non-executive directors

	2019			2018		
	Fees KShs'000	Sitting Allowance KShs'000	Total KShs'000	Fees KShs'000	Sitting Allowance KShs'000	Total KShs'000
Dr. J.B. McFie*	1,200	250	1,450	1,200	200	1,400
Dr. N. N. Merali	1,000	100	1,100	1,000	80	1,080
A.H. Butt	1,000	295	1,295	1,000	190	1,190
S.N. Merali	1,000	175	1,175	1,000	140	1,140
Mrs. L.W. Waithaka	-	-	-	-	35	35
Dr. S.O. Mainda	1,000	175	1,175	1,000	140	1,140
Mrs. Betty Koech	1,000	175	1,175	833	125	958
Mrs. RosemaryMunyiri	1,000	175	1,175	833	120	953
Total	**7,200**	**1,345**	**8,545**	**6,866**	**1,030**	**7,896**

*These fees were paid to educational charities.

Executive directors

2019:	**Basic pay KShs'000**	**Gratuity/pension KShs'000**	**Non-cash benefits KShs'000**	**Total KShs'000**
M. R. Ochieng	15,401	-	1,597	16,998
S. M. Githiga	10,281	406	1,089	11,776
Total	**25,682**	**406**	**2,686**	**28,774**

2018:	**Basic pay KShs'000**	**Gratuity/pension KShs'000**	**Non-cash benefits KShs'000**	**Total KShs'000**
S. M. Githiga	19,267	2,411	2,449	24,127
Total	**19,267**	**2,411**	**2,449**	**24,127**

There were no other sums paid to third parties in respect of directors' services.

Approval of the directors' remuneration report

The Directors confirm that this report has been prepared in accordance with the Kenyan Companies Act, 2015, Capital Markets Authority (CMA) Code and listing rules and reflects the disclosure requirements under the IFRSs.

BY ORDER OF THE BOARD

Director

Date: 18 December 2019.

CORPORATE GOVERNANCE

Corporate Governance Statement
Our statement of compliance summarizes how the Group has implemented the principles and provisions of the Capital Markets Authority (CMA) Corporate Governance Code. The Board considers that the Group has complied in all material respects with the Code for the year ended 30 September 2019.

A clear vision of purpose and strategy, aligned with an inclusive culture with the following highlights:

2019 highlights
— Recruitment and induction of new Group Managing Director
— Recruitment and induction new Managing Director at the Kipkebe Subsidiary
— Successful mechanization of tea picking
— Created framework for greater employee and stakeholder engagement
— Strengthened controls to increase resilience

2020 priorities
— Setting strategic direction and vision over the next 3 – 5 years for long-term sustainable success
— Focus on contribution to wider society and development of an inclusive and positive corporate culture embedding policies that support our core values and are aligned with strategic priorities
— Maintaining resilience while pursuing new opportunities

"Our aim is to create strong foundations for sustainable future success, delivering value for our employees, shareholders and wider society."

Dear Shareholder,

I am pleased to introduce our Corporate Governance Statement, which explains how the Group's governance framework supports the principles of integrity, strong ethical values and professionalism integral to our business. The Board recognizes that we are accountable to shareholders for good corporate governance, and this report, together with the other, seeks to demonstrate our commitment to high standards of governance that are recognized and understood by all.

Leadership, governance and purpose
Good governance depends on good and effective leadership and a healthy corporate culture, supported by robust systems and processes and a good understanding of risk and risk appetite. We aim to stay abreast of developments in good governance and practice, and have well-developed plans to ensure that we will meet international standards of Corporate Governance. This includes making sure our purpose, vision and values are clearly articulated, and that we have in place effective channels of engagement with our workforce, shareholders and stakeholders. The Board is involved in setting measurable objectives to promote a healthy corporate culture that is aligned with strategy and delivers on our commitment to the principles of sustainability and trust that are the hallmark of our business. The reports of our Board Committees show how our policies and processes have been applied and developed during the year in a way that remains consistent with our values and strategy, focusing on engagement, operational improvement, and reward and incentive structures, ensuring progress can be measured and monitored appropriately and promoting a business that is resilient, responsible and alive to opportunity.

1. The Board lays solid foundations for management and oversight
Roles and responsibilities of the Board and Management
The Board is responsible for the overall direction of the Company with oversight and review of the management, administration and overall governance.

The Board Charter provides a framework for the effective operation of the Board, which sets out the:
— Board's roles and responsibilities;
— Relationship and interaction between the Board and Management; and
— Authority delegated by the Board to Management and Board Committees.

The Board's role is to, among other things:
— Represent and serve the interests of Shareholders by overseeing and appraising Company's strategies, policies and performance;
— Oversee the Company, including providing leadership and setting its objectives;
— Approve and monitor systems of risk management, internal compliance, accountability and control, codes of conduct and legal compliance to ensure appropriate compliance frameworks and controls are in place;
— Set the risk appetite within which the Board expects Management to operate;
— Monitor Senior Management's performance and approve remuneration policies and practices; Monitor implementation of strategy and ensure appropriate resources are available;
— Approve and monitor the progress of major capital expenditure, capital management and acquisitions and divestitures;
— Approve budgets;
— Approve and monitor the corporate, financial and other reporting systems of Sasini Group, including external audit and oversee their integrity;

CORPORATE GOVERNANCE (CONTINUED)

1. The Board lays solid foundations for management and oversight (continued)

Roles and responsibilities of the Board and Management (continued)

— Adopt appropriate procedures to ensure compliance with all laws, governmental regulations and accounting standards, including establishing procedures to ensure information that a reasonable person would expect to have a material effect on the price or value of the Company's Shares, is appropriately and accurately disclosed on a timely basis in accordance with all legal and regulatory requirements; and
— Monitor the effectiveness of Sasini's governance practices.

Matters that are specifically reserved for the Board (or its Committees) include:

— Appointment of the Chair;
— Appointment and removal of the Managing Director;
— Appointment of Directors to fill a vacancy or as an additional Director;
— Establishment of Board Committees, their membership and delegated authorities;
— Approval of dividends;
— Approval of major capital expenditure, acquisitions and divestitures in excess of authority levels delegated to Management; and
— Any other specific matters nominated by the Board from time to time.

The Board has established the following Committees to assist it in discharging its functions:

Governance, Nomination and Remuneration Committee, which is responsible for establishing the policies and practices of the Company regarding the human resources strategy, the remuneration of Directors and employees and reviewing the overall human resources and remuneration framework; It also is responsible for advising the Board on the composition of the Company's Board and its Committees, maintaining proper succession plans and evaluating performance;

Risk and Audit Committee, which is responsible for monitoring and advising the Board on Group's audit, risk management and regulatory compliance policies and procedures; and

ICT, Strategy and finance Committee, which is responsible for advising the Board on matters of technology and innovation in supporting the Group's overall business strategy, reviewing and monitoring the effectiveness of the Group's IT systems and data security measures.

The Group Managing Director is responsible for the day-to-day management of Sasini PLC with the authority to exercise all necessary powers, discretions and delegations authorised from time to time by the Board. The Managing Director's responsibilities are set out in the Board Charter. The Group Managing Director is supported by his Executive team which meets weekly to plan the execution of the Group strategy.

2. Access to information and independent professional advice

Management must supply the Board with information in a form, timeframe and quality that will enable the Board to discharge its duties effectively. Directors are entitled to request additional information at any time they consider it appropriate. The Board collectively, and each Director individually, has the right to seek independent professional advice, at Sasini Group's expense, subject to the approval of the Chair, or the Board as a whole.

Board meetings

The Board meets on such number of occasions each year as the Board deems appropriate or as frequently as may otherwise be required to deal with urgent matters, which might arise between the scheduled meetings. For details of the current Directors, their qualifications, skills and experience, refer to the Directors' section on pages 3 to 5. For details of Directors' attendance at Board and Committee Meetings for the year ended 30 September 2019, refer to Directors' Meetings on page 49 and 50.

3. Appointment and re-election of Directors

The composition, structure and proceedings of the Board are primarily governed by the Constitution and the laws governing corporations in jurisdictions where Sasini PLC operates. It is intended that the Board will comprise a majority of independent Non-Executive Directors. It is intended that the Board comprise Directors with a broad range of skills, expertise and experience from a diverse range of backgrounds that is appropriate to Sasini Group and its strategy. When appointing new Directors, the Board, together with the Nomination Committee, evaluates the balance of skills, knowledge and experience on the Board and, in light of the evaluation, determines the role and capabilities required for the appointment, subject to limits imposed by the Constitution and the terms served by existing Non-Executive Directors. At commencement of the Director selection process, the Board, together with the Nomination Committee undertakes appropriate checks on potential candidates to consider his or her suitability to fill a casual vacancy on the Board or for election as a Director. Prior to appointment, candidates are required to provide the Chairman with details of other commitments and an indication of time involved, and to acknowledge that he or she will have adequate time to fulfil his or her responsibilities as a Non-Executive Director of Sasini Group. Directors available for re-election at a general meeting are reviewed by the Nomination Committee and recommended to the Board. Directors are re-elected in accordance with the Constitution and the CMA regulations. Shareholders will be provided with details about each Director for re-election in the notice of meeting for the AGM to enable Shareholders to make a decision on re-election. Sasini Group enters into a written agreement with each Director and Senior Executive setting out the key terms, conditions and responsibilities of their position. Non-Executive Directors must inform the Chairperson before accepting any new appointment as a Director of another listed entity, another material directorship or other position with a significant time commitment attached.

CORPORATE GOVERNANCE (CONTINUED)

4. Company Secretary

The Company Secretary, a member of the Institute of Certified Secretaries of Kenya (ICPSK) is the Secretary to all the Committees of the Board and offers the critical role of supporting the Board on procedural and regulatory matters while ensuring the Company adheres to Board policies and procedures. All Directors have direct access to the Company Secretary who is responsible to the Board on all matters relating to the conduct and functions of the Board and each of its Committees. The Company Secretary's responsibilities are set out in the Board Charter.

5. Diversity

Sasini PLC values a strong and diverse workforce and is committed to promoting a corporate culture that embraces diversity. The Group's policy is that no employee or job applicant will be treated less favourably on the grounds of race, colour, nationality, ethnic or national origin, gender (including gender reassignment), pregnancy, marital or civil partner status, sexual orientation, religious belief, age or disability, or on any other grounds which cannot be justified on job related terms. These policy principles are supported by our Code of Conduct. The Board is committed to achieving diversity in its widest sense. We ensure that briefs to external recruitment agencies and search consultants are aimed at improving diversity ratios and balance both at Board and senior management level and more widely within the business, while also reflecting the changing strategic needs of the Group. The Board will continue to support positively opportunities for talented individuals regardless of gender, ethnicity, age or social background. The board is engaged with the initiatives within the business in this area, while recognizing the need for more work to achieve true gender balance and greater diversity.

6. Performance review of the Board and senior executives

The Governance, Nomination and Remuneration Committee is responsible for establishing the processes for reviewing the performance of the Board, the Board's Committees and individual Directors. The Board, Governance, Nomination and Remuneration Committee, Risk and Audit Committee and ICT, Strategy and Finance Committee, periodically self-assess their performance against a range of set criteria developed annually by the Governance, Nomination and Remuneration Committee. The Governance, Nomination and Remuneration Committee has considered and reviewed the performance of the Board, individual Directors, the Board Committees and senior executives during the year ended 30 September 2019. A peer review has been undertaken for each Director seeking re-election at the AGM to enable the Board to recommend that Shareholders elect that Director at the AGM.

7. Performance review of Executive Management

The Governance, Nomination and Remuneration Committee is responsible for reviewing and recommending remuneration arrangements for the Managing Director and Executive Team who report directly to the Managing Director, including contract terms, annual remuneration and participation in Sasini Group's short and long term incentive plans.

8. The Board is structured to add value

Board Committees

(a) Governance, Nomination and Remuneration Committee

The role and responsibilities of the Committee are to:

— Advise the Board on the size and composition of the Board and its Committees and the selection and appointment of Directors to the Board and its Committees;
— Review and make recommendations to the Board on succession plans for the Board and ensure there are plans in place to manage the succession of the Managing Director and other Senior Executives;
— Advise the Board on the ongoing evaluation of the performance of the Board, its Committees and Directors and make recommendations to the Board accordingly;
— Develop a board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership;
— Conduct performance evaluation of the Board, its Committees and individual Directors and developing and implementing plans for identifying, assessing and enhancing Director competencies; and
— Establish and facilitate a Director induction process and provide appropriate professional development opportunities for Directors.

(b) Risk and audit committee

The role and responsibilities of the Committee are to:

— Oversee, review and supervise Sasini Group's risk management framework and promote a risk management culture;
— Assist the Board in discharging its responsibilities relative to the financial reporting process, the system of internal controls relating to all matters affecting Sasini Group's financial performance and the audit process;
— Assist the Board in monitoring compliance with laws and regulations and Sasini Group's Code of Conduct and Ethics;
— Assist the Board to adopt and apply appropriate ethical standards in relation to the management of Sasini Group and the conduct of its business; and
— Review the adequacy of Sasini Group's insurance policies.

The responsibilities of the Committee in relation to external audit are as follows:

— Establish procedures for the selection, appointment and removal of the external auditor and for the rotation of external audit engagement partners;
— Review the external auditor's proposed audit scope and approach;
— Meet with the external auditor to review reports, and meet separately from Management, at least once a year, to discuss in that regard any matters that the Committee or auditors believe should be discussed privately;

CORPORATE GOVERNANCE (CONTINUED)

8. The Board is structured to add value (Continued)

(b) Risk and audit committee (continued)

- Establish policies as appropriate in regards to the independence, integrity and performance of the external auditor;
- Review of the independence of the external auditors and the appropriateness of any services provided by them to Sasini Group (if any), outside their statutory role;
- For the purpose of removing or appointing external auditors review their performance, including their proposed fees, and if appropriate conduct a tender of the audit.

It is the policy of Sasini Group that its external auditing firm must be independent of it. The Risk and Audit Committee will review and assess the independence of the external auditor on an annual basis. The Risk and Audit Committee may obtain information from, and consult with, Management, the external auditor and external advisers, as it considers appropriate. The Risk and Audit Committee also has access to the external auditor to discuss matters without Management being present. The Risk and Audit Committee met four times during the year ended 30 September 2019.

(c) ICT, Strategy and Finance Committee

The Committee is responsible for reviewing and, where appropriate, approving Sasini Group's Technology Strategy and overseeing its implementation. The Committee will assist the Board by:

- Reviewing key technology changes, innovations and trends in the marketplace and their potential for application within Sasini Group, including advising Sasini Group through industry meetings with experts and education visits to key technology partners, industries and regions;
- Reviewing and recommending to the Board management strategies relating to Sasini Group's Technology Strategy and their alignment with Sasini Group's overall strategy and objectives;
- Reviewing and monitoring Management's strategies and innovation framework for developing or implementing new technologies and systems; advising the Board in relation to Sasini Group's IT operations for the purpose of enhancing the Board's understanding of the use of technology as an enabler and a risk for Sasini Group;
- Reviewing and recommending to the Board major new technology projects and investments;
- Monitoring and reviewing the post implementation results of all key technology projects, including the achievement of expected benefits and return on investment;
- Reviewing and recommending to the Board, Management's strategies for sourcing of major technology suppliers and monitoring the technology governance framework for third party suppliers; Reviewing, monitoring and advising on the effectiveness of the ISMS Information Security Risk Management Policy and Procedure;
- Advising the Risk and Audit Committee on matters of technology, systems, data and intellectual property risk and security;
- Improving the efficiency of the Board by taking responsibility for "technology" tasks delegated to the Committee where such tasks should be discussed in depth;
- Reviewing and reporting to the Board on the effectiveness of incident response plans as they relate to technology risks and cyber security risks, including disaster recovery plans and ensuring the regular testing and reporting to the Board on the results of testing;
- The delivery of technology services to Sasini Group, including performance outcomes for quality, stability and reliability and, where reliable information and metrics are available,
- The integration of IT operations and technology within the broader organisation, including strategies to minimise residual integration risk and maximise transparency across the organisation; and
- Such other matters relating to Sasini Group's Technology Strategy as the Committee may require from time to time.

Board Skills Matrix

The Board has adopted a policy that it shall be composed of a majority of independent, Non-Executive Directors who, with the Group Managing Director, comprise an appropriate mix of skills, expertise, experience and diversity to meet the Board's responsibilities and objectives.

The Board is comprised of highly experienced business leaders who each meet the fundamental requirements necessary to govern a listed company in the Securities Exchange. The Company has a diverse Board which collectively has:

- Strategic capabilities and commercial acumen;
- IT strategies and infrastructure, networks and innovations in data security and storage;
- Financial management capability, the ability to analyse statements and assess financial viability;
- Risk management understanding and experience;
- Knowledge of corporate governance and compliance in listed entities;
- Experience in human resource management, including workplace culture, management development and succession, health and safety, diversity and remuneration;
- Experience on the boards of other significant listed entities;
- Experience in identifying and managing the process for mergers and acquisitions, including integration;
- International experience; and
- Experience in executive leadership.

The Board, with the assistance of the Governance, Nomination and Remuneration Committee, determines the size and composition of the Board, subject to the Company's Constitution. The Board will continue to monitor and update the Board skills matrix at least annually to ensure that as Sasini develops, the Board comprises the appropriate mix of skills and experience. The Board recognises the importance of succession and renewal. It continues to monitor the Board composition accordingly.

CORPORATE GOVERNANCE (CONTINUED)

Induction and education

The Governance, Nomination and Remuneration Committee is responsible for implementing an effective training and education program for all new and existing Directors, ensuring that Sasini provides appropriate professional development opportunities for Directors. The Committee is required to regularly review the effectiveness of the program to ensure Directors maintain the skills and knowledge required to perform their role effectively. Any new Directors undergo an induction program in which they are given a full briefing on Sasini, its operations and the industries in which it operates. Management, with the Board, provides an orientation program for new Directors which includes discussions with executives and management, the provision of materials to the new Director such as all of the Company's governance documents, access to the recent Board and Committee papers, along with minutes of these meetings. The objectives of the induction are to familiarise the new Director with Sasini Group's strategies, the nature of the various businesses, financial position, operational and risk management.

9. The Board promotes ethical and responsible decision-making

(a) Code of Conduct and Ethics

The Board recognises the need to observe a high standard of corporate practice and business conduct. Accordingly, the Board adopted the Code of Conduct and Ethics, which outlines how Sasini expects its representatives to behave and conduct business in the workplace and includes legal compliance and guidelines on appropriate ethical standards. All Sasini Group Directors, officers, employees and contractors (Personnel) must comply with the Code of Conduct and Ethics. This Code applies to all Personnel and all other people who represent Sasini Group or undertake work for the benefit of Sasini Group. Each member of Sasini Group and all Personnel are expected at all times to comply with all applicable laws. All Personnel are expected to conduct Sasini Group's operations with high legal, moral and ethical standards in all their dealings and to uphold Sasini Group's reputation as a trusted third party financial administrator. Specifically, all Personnel agree to act:

— Ethically, honestly, responsibly, diligently and with integrity;
— In full compliance with all laws and regulations that apply to Sasini Group and its operations and this Code; and
— In the best interests of Sasini Group. All Sasini Group Senior Management must lead by example and demonstrate a high regard for Sasini Group, and treat all Personnel with respect.

(b) Securities Trading Policy

Sasini Group has adopted the Securities Trading Policy that is intended to:
Explain the types of conduct in relation to dealings in securities that are prohibited under the CMA Act and establish a best practice procedure for the buying and selling of securities that protects Sasini Group, Directors and employees against the misuse of unpublished information that could materially affect the value of securities.

The Securities Trading Policy applies to:
— All Directors and officers of Sasini Group including the Managing Director;
— All direct reports to the Managing Director;
— All employees and contractors of Sasini Group;
— Their associates (as defined in the CMA Act) including, close family members and trusts and entities controlled by them; and
— Other persons identified by Sasini Group from time to time, (Restricted Persons).

The Securities Trading Policy sets out restrictions that apply to dealing with securities, including "trading windows", during which Restricted Persons, may deal in Sasini Group's Securities in the following periods.

10. The Board makes timely and balanced disclosure

The Board's aim is to ensure that Shareholders are kept informed of all major developments affecting the state of affairs of Sasini Group. Sasini Group has adopted a Continuous Disclosure Policy to ensure compliance with the explicit requirements and the spirit and intent of its disclosure obligations under the CMA Act and NSE Listing regulations. The Board bears the primary responsibility for Sasini Group's compliance with its continuous disclosure obligations and is therefore responsible for overseeing and implementing this Policy. The Board makes the ultimate decision on whether there is any materially price sensitive information that needs to be disclosed to the CMA and NSE. It is a standing agenda item at all Board meetings to consider any information that must be disclosed to the CMA in accordance with Sasini Group's continuous disclosure obligations. The Board has appointed the Company Secretary as the Reporting Officer in order to streamline the day-to-day compliance with its continuous disclosure obligations. All Directors are required to notify the Reporting Officer if they believe there is materially price sensitive information which requires disclosure to the CMA.

11. The Board respects the rights of shareholders

Sasini Group respects the rights of its Shareholders and to facilitate the effective exercise of those rights, has adopted a Stakeholder's Management Policy.

The following information is available on Sasini Group's website:
— A profile of Sasini Group and its businesses;
— Director and Executive Team profiles;
— Corporate governance overview; and
— All CMA announcements made to the market, including annual and half year financial results, are posted on Sasini Group's website.

CORPORATE GOVERNANCE (CONTINUED)

11. The Board respects the rights of shareholders (Continued)

To encourage Shareholder engagement and participation at the AGM, Shareholders have the opportunity to attend the AGM, ask questions from the floor, participate in voting and meet the Board and the Executive Team in person. Shareholders who are unable to attend the AGM are encouraged to vote on the proposed motions by appointing a proxy via the proxy form accompanying the notice of meeting.

The Board recognises and manages risk

Risk and Audit Committee in its function as a risk committee, the Risk and Audit Committee assists the Board in fulfilling its corporate governance responsibilities in regard to oversight of Sasini Group's risk management framework and internal control systems. The Risk Management Policy sets out the requirements, roles and responsibilities for managing risks across Sasini Group. The Risk and Audit Committee's primary role with respect to risk management is to:

— Consider the overall risk management framework and risk profile and annually review its effectiveness in meeting sound corporate governance principles and keep the Board informed of all significant business risks;
— Review with Management the adequacy of Sasini Group's systems for identifying, managing, and monitoring the key risks to Sasini Group in accordance with the Risk Management Policy;
— Obtain reports from Management on the status of any key risk exposures or incidents;
— Review the adequacy of the Sasini Group's process for managing risk and provide a recommendation to the Board regarding the same in accordance with the Risk Management Policy;
— Review any incident involving fraud or other material or significant break down of the Sasini Group's internal controls in accordance with the Risk Management Policy;
— Review any material or significant incident involving any break down of Sasini Group's risk management framework in accordance with the Risk Management Policy;
— Review the Sasini Group's insurance program having regard to Sasini Group's business and the insurable risks associated with its business and inform the Board regarding the same; and
— Review whether Sasini Group has any material exposure to any economic, environmental and social sustainability risks and if so, develop strategies to manage such risks to present to the Board.

Internal audit

The internal audit function provides objective assurance on the effectiveness of risk management, operational and transactional controls and governance. Internal Audit operates under an annual plan reviewed and considered by the Risk and Audit Committee and the findings are presented to the Risk and Audit Committee. The internal audit function is undertaken by external providers. Sasini Group has appointed an external provider to provide internal audit services.

12. Economic, environmental and social sustainability risks

Sasini Group is committed to sustainability and acting in a responsible manner to promote employee well-being, minimise our impact on the environment and give back to the wider community. Sasini Group's ethos is to build partnerships with our employees, clients, investors, suppliers and communities based on mutual respect, trust and fairness.

The CMA Code of Corporate Governance Principles define 'material exposure' as a 'real possibility that the risk in question could substantively impact the listed entity's ability to create or preserve value for security holders over the short, medium or long term'.

Board and Board Committees Attendance

The Board meets as often as necessary to fulfil its role. Directors are required to allocate sufficient time to the Company to perform their responsibilities effectively, including adequate time to prepare for Board meetings. During the reporting year, the Board met four (4) times. Members of the Executive Leadership Team and other members of senior management attended meetings of the Board by invitation. Attendance at Board and standing Board committee meetings during financial year 2018/2019 is set out in the table below:

Full Board

MEMBER/IN ATTENDANCE	DECEMBER 2018	MARCH 2019	MAY 2019	SEPTEMBER 2019
Dr. James McFie	√	√	√	√
Dr. Naushad Merali	√	√	√	√
Dr. Steve Mainda	√	√	√	√
Mrs. Betty Koech	√	√	√	√
Mr. Akif Butt	√	√	√	√
Mrs. Rosemary Munyiri	√	√	√	√
Mr. Sameer Merali	√	√	x	√
Mr. Martin R. Ochieng'	x	√	√	√
Mr. Lawrence Kibet	√	√	√	√

CORPORATE GOVERNANCE (CONTINUED)

ICT, Strategy and Finance Committee

MEMBER/IN ATTENDANCE	DECEMBER 2018	MARCH 2019	MAY 2019	SEPTEMBER 2019
Dr. Naushad Merali	√	√	√	√
Mr. Akif Butt	√	√	√	√
Mr. Sameer Merali	√	√	√	√
Mr. Martin R. Ochieng’	x	√	√	√
Mr. Lawrence Kibet	√	√	√	√

Risk and Audit Committee

MEMBER/IN ATTENDANCE	DECEMBER 2018	MARCH 2019	MAY 2019	SEPTEMBER 2019
Mrs. Betty Koech	√	√	√	√
Dr. James McFie	√	√	√	√
Mrs. Rosemary Munyiri	√	√	√	√
Mr. Sameer Merali	√	√	√	√
Mr. Lawrence Kibet	√	√	√	√

Governance, Nomination and Remuneration Committee

MEMBER/IN ATTENDANCE	DECEMBER 2018	MARCH 2019	MAY 2019	SEPTEMBER 2019
Dr. Steve Mainda	√	√	√	√
Dr. James McFie	√	√	√	√
Mr. Akif Butt	√	√	√	√
Mr. Lawrence Kibet	√	√	√	√

√ - In attendance X – Absent (or absent with apology)

Top ten shareholders at 30 September 2019

The ten largest shareholders of the Company as at 30 September 2019 were as follows:

No.	Names	Address	Shares	Percentage
1	Legend Investments Limited	PO Box 55358 – 00200, Nairobi	95,417,345	41.84%
2	Yana Towers Limited	PO Box 55358 – 00200, Nairobi	28,725,240	12.60%
3	East African Batteries Limited	PO Box 55358 – 00200, Nairobi	25,135,700	11.02%
4	Gulamali Ismail	PO Box 90626 – 80100 Mombasa	20,070,900	8.80%
5	Gidjoy Investments Limited	PO Box 1051 – 00200, Nairobi	9,900,800	4.34%
6	Tropical Veterinary Services Limited	87496 – 80100 Mombasa	5,677,900	2.49%
7	Karim Jamal	PO Box 49863 – Nairobi	4,587,841	2.01%
8	Shardaben Vithaldas Morjaria	PO Box 445 – 00600 Nairobi	2,111,780	0.93%
9	Joseph Schwartzman	PO Box 30118 – 00100 Nairobi	1,972,100	0.86%
10	Steluc Limited	PO Box 10087 – 00100 Nairobi	1,500,000	0.66%

CORPORATE GOVERNANCE (CONTINUED)

Distribution of shareholders

	Range	Records	Shares	Percentage
1	Less than 500	3,709	806,377	0.35%
2	501 to 1000	1,147	959,398	0.42%
3	1001 to 5000	1,286	3,078,680	1.35%
4	5001 to 10000	268	1,972,137	0.86%
5	10001 to 50000	304	6,850,053	3.00%
6	50001 to 100000	57	3,806,993	1.67%
7	100001 to 500000	47	9,092,126	3.99%
8	500001 to 1000000	5	3,564,230	1.56%
9	Above 1,000,0000	12	197,925,506	86.79%
		6,835	**228,055,500**	**100.00%**

Dr. J.B. McFie, PhD
Chairman
Date: 18 December 2019

Mr. Martin R. Ochieng'
Group Managing Director

CORPORATE SOCIAL INVESTMENT

As a corporate citizen of this Country, we delight in fully exercising our corporate social responsibility. In this regard, the Group has continued to effectively undertake corporate social investments activities by investing/contributing towards education development, health, social economic empowerment of the local communities within its operating environment.

Education/Social Welfare

The Group has constructed four (4) primary schools and one secondary school within the tea operations and also renders support to schools around our coffee operations. The tea division maintains nursery and primary schools providing free education to the children of employees, dependents and surrounding communities.

The Group supports education through bursaries and stipends and by providing funds to establish and improve schools near our plantations. We also provide resources such as computers, laboratory equipment, sports kits and basic learning materials to schools. Provision of footwear to primary going children is occasionally done to motivate the learners. The Group provides pre-school opportunities for the younger children and in this regard we have established six-day care centers in our tea estates where toddlers are kept busy and fed on a daily basis as their parents work.

Besides the educational facilities, the Group provides social and welfare amenities to all our current population of permanent and seasonal employees of about 3,884 and 616 respectively along with over 15,000 of their dependents living within the estates.

Health

The Group maintains a well-equipped Medical Centre with in-patient and outpatient treatment options within the tea operations. It also maintains three satellite dispensaries with well-trained medical personnel and a diagnostic laboratory. The facilities also have ambulances on standby in case critical cases need to be transported to larger health facilities. These facilities cater for both the company employees and local community residents.

Smallholder Farmers and Community

The annual farmers' open day was held on 6 December 2019 at our Kamundu Estate, in Kiambu and our outgrower farmers were sensitized on financial literacy, sustainable farming techniques and technological interventions in the growing of coffee, Macadamia nut and Avocado trees as well as new investment options. Farmers who had implemented the acquired skills successfully resulting in higher yields and or better crop from their farms were awarded prizes and trophies.

The Group also avails tea, coffee, macadamia, avocado and indigenous tree seedlings to the surrounding community, and fertilizers to our outgrowers.

The Group provides employment to the local community, including internships and attachments to university and college students.

Ecosystem Conservation

Through the Rainforest Alliance certification, both our tea and coffee operations have comprehensively addressed the environmental, social and economic challenges faced by our own tea and coffee estates, out grower farms and the surrounding communities. The Group has a well-established ecosystem conservation programme with supporting policies that protect the ravines, production areas, and all habitat areas.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for the preparation and presentation of the consolidated and separate financial statements of Sasini PLC (the group and company) set out on pages 37 to 86 which comprise the consolidated and company statements of financial position as at 30 September 2019, and the consolidated and company statements of profit or loss and other comprehensive income, the consolidated and company statements of changes in equity and consolidated and company statements of cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies and other explanatory information.

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, 2015 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, 2015, the Directors are required to prepare financial statements for each financial year which give a true and fair view of the financial position of the group and of the company as at the end of the financial year and of the profit or loss of the group and company 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 consolidated and separate 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, 2015. The Directors are of the opinion that the financial statements give a true and fair view of the financial position of the group and the company and of the group and company profit or loss and cash flows.

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 Company and its subsidiaries 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 and authorised for issue by the Board of Directors on 18 December 2019.

Dr. J.B. McFie, PhD
Chairman
Date: 18 December 2019

Mr. Martin R. Ochieng'
Group Managing Director

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REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF SASINI PLC

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of Sasini PLC (the Group and Company) set out on pages 37 to 86, which comprise the consolidated and company statements of financial position at 30 September 2019, and the consolidated and company statements of profit or loss and other comprehensive income, the consolidated and company statements of changes in equity and the consolidated and company statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of Sasini PLC as at 30 September 2019, and of its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the Kenyan Companies Act, 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the consolidated and separate Financial Statements* section of our report. We are independent of the Group and Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)*, together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of biological assets - IAS 41 Agriculture (applicable to the consolidated and separate financial statements)	
See note 3(i) and note 20	
The key audit matter	**How the matter was addressed in our audit**
The Group's and Company's biological assets include unharvested produce growing on tea and coffee bushes, standing timber and livestock which are measured at fair value less costs to sell under IAS 41 *Agriculture*. Estimating the fair value is a complex process involving a number of judgments and estimates regarding various inputs including estimating the useful lives of the bioloigical assets, expected harvest and selling prices after harvest. Due to the nature of the assets, the valuation technique includes a discounted cash flow model that uses a number of inputs such as expected yield/harvest from internal sources due to lack of relevant and reliable observable inputs. Valuation of biological assets is a key audit matter because the determination of the fair value of biological assets is a key area of estimation uncertainty and is subject to significant management judgment.	Our audit procedures in this area included, among others: — Evaluating the Group's and Company's inputs and assumptions used in calculating the estimated cash flows by comparing them with historical performance and the Group's and Company's plans, as well as our understanding of the industry and the economic environment the Group and Company operates in. — Evaluating the historical accuracy of the Group's and Company's assessment of the fair value of biological assets by comparing previous forecasts for yields per hectare, timber prices and harvesting/transportation costs with actual outcomes and industry forecasts. — Evaluating the accuracy of the computations as well as the appropriateness of the discount rates used to discount cash flows. — Evaluating the adequacy of the financial statement disclosures, including disclosures of key assumptions, judgments and sensitivities.

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REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF SASINI PLC (CONTINUED)

Report on the audit of the consolidated and separate financial statements (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the *Annual Report and Financial Statements*, but does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' responsibilities for the consolidated and separate financial statements

As stated on page 33, the directors are responsible for the preparation of consolidated and separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and in the manner required by the Kenyan Companies Act, 2015 and for such internal control as the Directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, directors are responsible for assessing the Group's and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and Company's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

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REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF SASINI PLC (CONTINUED)

Report on the audit of the consolidated and separate financial statements (continued)

Auditor's responsibilities for the audit of the consolidated and separate financial statements - continued

— Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and/or Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or Company to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

As required by the Kenyan Companies Act, 2015 we report to you, based on our audit that:

i. In our opinion, the information given in the report of the directors on pages 16 to 18 is consistent with the consolidated and separate financial statements;

ii. The auditable part of the Directors' remuneration report on pages 22 to 23 has been prepared in accordance with the Kenyan Companies Act, 2015; and

iii. We have issued an unqualified audit report on the consolidated and separate financial statements.

The signing partner responsible for the audit resulting in this independent auditor's report is CPA Joseph Kariuki – P/2102.

KPMG Kenya

KPMG Kenya
Certified Public Accountants
8th Floor, ABC Towers
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PO Box 40612 - 00100
Nairobi

Date: 18 December 2019.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Note	2019 KShs'000	2018 KShs'000
Revenue	8	2,794,830	3,515,220
Cost of sales	9	(2,360,107)	(2,663,117)
Gross profit		**434,723**	**852,103**
Fair value changes on biological assets	20(a)	(5,843)	55,559
Other income	10	123,681	261,500
Total operating income		**552,561**	**1,169,162**
Administration and establishment expenses	11	(912,764)	(769,903)
Selling and distribution expenses	12	(31,906)	(44,644)
Results from operations		**(392,109)**	**354,615**
Finance income	13(a)	51,736	112,663
Finance costs	13(b)	(20,926)	(18,472)
Net finance income	13	**30,810**	**94,191**
(Loss)/profit before tax	14	**(361,299)**	**448,806**
Tax credit/(expense)	15(a)	23,562	(155,283)
(Loss)/profit for the year		**(337,737)**	**293,523**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Revaluation of property,plant and equipment, net of tax		2,181,675	-
Remeasurement of post-employment benefits, net of tax	31	16,202	8,453
Total comprehensive income		**1,860,140**	**301,976**
(Loss)/profit attributable to:			
Owners of the company		(317,429)	295,497
Non-controlling interest		(20,308)	(1,974)
		(337,737)	**293,523**
Total comprehensive income attributable to:			
Owners of the company		1,814,085	303,940
Non-controlling interest		46,055	(1,964)
		1,860,140	**301,976**
(Loss)/profit attributable to the owners of company comprise:			
(Loss)/profit arising from operating activities		(314,197)	256,606
Fair value changes on biological assets, net of tax		(3,232)	38,891
		(317,429)	**295,497**
Earnings per share:			
Basic and diluted (KShs)	16	**(1.39)**	**1.30**
Dividend per share (KShs)	17	**0.50**	**1.00**

The notes set out on pages 47 to 86 form an integral part of the financial statements.

COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Note	2019 KShs'000	2018 KShs'000
Revenue	8	988,016	1,076,088
Cost of sales	9	(871,443)	(896,807)
Gross profit		**116,573**	**179,281**
Fair value changes on biological assets	20(b)	(64,596)	34,747
Other income	10	376,182	605,731
Total operating income		**428,159**	**819,759**
Administration and establishment expenses	11	(441,017)	(397,706)
Results from operations		**(12,858)**	**422,053**
Finance income	13(a)	26,366	32,067
Finance costs	13(b)	(17,366)	(5,143)
Net finance income	13	**9,000**	**26,924**
(Loss)/profit before tax	14	**(3,858)**	**448,977**
Tax credit/(expense)	15(a)	56,620	(31,352)
Profit for the year		**52,762**	**417,625**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Revaluation of property,plant and equipment, net of tax		1,529,028	-
Remeasurement of post-employment benefits, net of tax	31	465	909
Total comprehensive income		**1,582,255**	**418,534**
Profit for the year is made up as follows:			
Profit arising from operating activities		97,979	393,302
Fair value changes on biological assets- net of tax		(45,217)	24,323
		52,762	**417,625**
Earnings per share:			
Basic and diluted (KShs)	16	**0.23**	**1.83**
Dividend per share (KShs)	17	**0.50**	**1.00**

The notes set out on pages 47 to 86 form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2019

		2019	2018
ASSETS	**Note**	**KShs'000**	**KShs'000**
Non-current assets			
Property, plant and equipment	18(a)	11,455,879	8,679,878
Capital work-in-progress	18(c)	89,103	555,032
Intangible assets	19	12,192	16,030
Biological assets	20(a)	1,211,030	1,046,978
Prepaid leases on leasehold land	21	10,408	10,509
Financial asset at FVOCI	22	-	525
Deferred tax asset	30	8,865	6,997
		12,787,477	10,315,949
Current assets			
Inventories	24	800,789	411,712
Biological assets	20(a)	112,101	283,033
Trade and other receivables	25	450,610	730,321
Amounts due from related companies	26	1,000	1,000
Tax recoverable	15(b)	93,118	83,756
Cash and bank balances	27	429,264	1,135,609
		1,886,882	2,645,431
TOTAL ASSETS		**14,674,359**	**12,961,380**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	28	228,055	228,055
Non-distributable reserves	29(a)	10,087,551	7,959,268
Distributable reserves	29(b)	2,264,204	2,841,337
		12,579,810	11,028,660
Non-controlling interest	29(c)	305,245	295,123
Total equity		12,885,055	11,323,783
Non-current liabilities			
Deferred tax liability	30	1,036,173	882,430
Post-employment benefits	31	309,534	296,088
		1,345,707	1,178,518
Current liabilities			
Borrowings	38	114,488	-
Trade and other payables	32	296,808	411,595
Post-employment benefits	31	24,746	36,042
Tax payable	15(b)	7,555	11,442
		443,597	459,079
TOTAL EQUITY AND LIABILITIES		**14,674,359**	**12,961,380**

The financial statements set out on pages 37 to 86 were approved and authorised for issue by the Board of Directors on 18 December 2019 and signed on its behalf by:

Dr. J.B. McFie, PhD
Chairman

Mr. Martin R. Ochieng'
Group Managing Director

The notes set out on pages 47 to 86 form an integral part of the financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2019

		2019	2018
ASSETS	**Note**	**KShs'000**	**KShs'000**
Non-current assets			
Property, plant and equipment	18(b)	7,450,772	5,854,109
Capital work-in-progress	18(c)	37,488	118,426
Intangible assets	19	11,343	15,033
Biological assets	20(b)	126,456	59,478
Investment in subsidiaries	23	145,797	145,797
		7,771,856	6,192,843
Current assets			
Inventories	24	197,073	79,558
Biological Assets	20(b)	90,512	223,123
Trade and other receivables	25	89,737	253,451
Amounts due from related companies	26	777,772	802,082
Tax recoverable	15(b)	35,894	21,200
Cash and cash equivalents	27	141,919	147,162
		1,332,907	1,526,576
TOTAL ASSETS		**9,104,763**	**7,719,419**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	28	228,055	228,055
Non-distributable reserves	29(a)	7,165,958	5,681,682
Distributable reserves	29(b)	1,124,739	1,288,060
Total equity		8,518,752	7,197,797
Non-current liabilities			
Deferred tax liability	30	408,149	380,425
Post-employment benefits	31	26,893	24,593
		435,042	405,018
Current liabilities			
Borrowings	38	114,488	-
Trade and other payables	32	30,761	110,930
Post-employment benefits	31	5,720	5,674
		150,969	116,604
TOTAL EQUITY AND LIABILITIES		**9,104,763**	**7,719,419**

The financial statements set out on pages 37 to 86 were approved and authorised for issue by the Board of Directors on 18 December 2019 and signed on its behalf by:

Dr. J.B. McFie, PhD
Chairman

Mr. Martin R. Ochieng'
Group Managing Director

The notes set out on pages 47 to 86 form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2019

2019:	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 attributable to owners KShs'000	Non controlling interest KShs'000	Total equity KShs'000
Balance as at 1 October 2018	**228,055**	**98,530**	**7,627,565**	**198,602**	**34,571**	**2,727,309**	**114,028**	**11,028,660**	**295,123**	**11,323,783**
Impact of change in accounting policy (Note 3 (x)(i)(b))	-	-	-	-	-	(34,880)	-	(34,880)	(682)	(35,562)
Restated balance at 1 October 2018	**228,055**	**98,530**	**7,627,565**	**198,602**	**34,571**	**2,692,429**	**114,028**	**10,993,780**	**294,441**	**11,288,221**
Total comprehensive income for the year										
Loss for the year	-	-	-	-	-	(317,429)	-	(317,429)	(20,308)	(337,737)
Other comprehensive income										
Revaluation surplus on property, plant and equipment net of tax	-	-	2,115,247	-	-	-	-	2,115,247	66,428	2,181,675
Fair value on biological assets after tax	-	-	-	(3,232)	-	3,232	-	-	-	-
Remeasurement of post employment benefits net of tax	-	-	-	-	16,268	-	-	16,268	(66)	16,202
Total comprehensive income for the year	-	-	**2,115,247**	**(3,232)**	**16,268**	**(314,197)**	-	**1,814,086**	**46,054**	**1,860,140**
Transactions with owners of the company recorded directly in equity										
Dividend paid to minority interest	-	-	-	-	-	-	-	-	(35,250)	(35,250)
Final 2018 dividend paid	-	-	-	-	-	-	(114,028)	(114,028)	-	(114,028)
First interim 2019 dividend paid	-	-	-	-	-	(114,028)	-	(114,028)	-	(114,028)
Total distribution to owners of the company	-	-	-	-	-	**(114,028)**	**(114,028)**	**(228,056)**	**(35,250)**	**(263,306)**
At 30 September 2019	**228,055**	**98,530**	**9,742,812**	**195,370**	**50,839**	**2,264,204**	-	**12,579,810**	**305,245**	**12,885,055**

The notes set out on pages 47 to 86 form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2019 (CONTINUED)

2018:	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 attributable to owners KShs'000	Non controlling interest KShs'000	Total equity KShs'000
Balance as at 1 October 2017	**228,055**	**98,530**	**7,627,565**	**159,711**	**26,128**	**2,698,759**	**171,042**	**11,009,790**	**306,087**	**11,315,877**
Total comprehensive income for the year										
Profit for the year	-	-	-	-	-	295,497	-	295,497	(1,974)	293,523
Other comprehensive income										
Fair value on biological assets after tax	-	-	-	38,891	-	(38,891)	-	-	-	-
Remeasurement of post employment benefits net of tax	-	-	-	-	**8,443**	-	-	**8,443**	**10**	**8,453**
Total comprehensive income for the year	-	-	-	**38,891**	**8,443**	**256,606**	-	**303,940**	**(1,964)**	**301,976**
Transactions with owners of the company recorded directly in equity										
Dividend paid to minority interest	-	-	-	-	-	-	-	-	(9,000)	(9,000)
Final 2017 dividend paid	-	-	-	-	-	-	(171,042)	(171,042)	-	(171,042)
First interim 2018 dividend paid	-	-	-	-	-	(114,028)	-	(114,028)	-	(114,028)
Second interim 2018 dividend payable	-	-	-	-	-	(114,028)	114,028	-	-	-
Total distribution to owners of the company	-	-	-	-	-	**(228,056)**	**57,014**	**(285,070)**	**(9,000)**	**(294,070)**
At 30 September 2018	**228,055**	**98,530**	**7,627,565**	**198,602**	**34,571**	**2,727,309**	**114,028**	**11,028,660**	**295,123**	**11,323,783**

The notes set out on pages 47 to 86 form an integral part of the financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2019

2019:	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 KShs'000
Balance as at 1 October 2018	**228,055**	**40,594**	**5,517,443**	**118,396**	**5,249**	**1,174,032**	**114,028**	**7,197,797**
Impact of change in accounting policy (Note 3 (x)(i))	-	-	-	-	-	(33,244)	-	(33,244)
Restated balance at 1 October 2018	**228,055**	**40,594**	**5,517,443**	**118,396**	**5,249**	**1,140,788**	**114,028**	**7,164,553**
Total comprehensive income for the year								
Profit for the year	-	-	-	-	-	52,762	-	52,762
Other comprehensive income								
Fair value changes on biological assets after tax	-	-	-	(45,217)	-	45,217	-	-
Revaluation surplus on property, plant and equipment net of tax	-	-	1,529,028	-	-	-	-	1,529,028
Remeasurement of post employment benefits, net of tax (Note 31)	-	-	-	-	665	-	-	665
Deferred tax on remeasurement	-	-	-	-	(200)	-	-	(200)
Total comprehensive income for the year	**-**	**-**	**1,529,028**	**(45,217)**	**465**	**97,979**	**-**	**1,582,255**
Transactions with owners of the company recorded directly in equity								
Final 2018 dividend paid	-	-	-	-	-	-	(114,028)	(114,028)
Interim 2019 dividend paid	-	-	-	-	-	(114,028)	-	(114,028)
Total distribution to owners of equity	**-**	**-**	**-**	**-**	**-**	**(114,028)**	**(114,028)**	**(228,056)**
At 30 September 2019	**228,055**	**40,594**	**7,046,471**	**73,179**	**5,714**	**1,124,739**	**-**	**8,518,752**

The notes set out on pages 47 to 86 form an integral part of the financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2019 (CONTINUED)

2018:	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 KShs'000
Balance as at 1 October 2017	**228,055**	**40,594**	**5,517,443**	**94,073**	**4,340**	**1,008,786**	**171,042**	**7,064,333**
Total comprehensive income for the year								
Profit for the year	-	-	-	-	-	417,625	-	417,625
Other comprehensive income								
Fair value changes on biological assets after tax	-	-	-	24,323	-	(24,323)	-	-
Remeasurement of post employment benefits, net of tax (Note 31)	-	-	-	-	909	-	-	909
Total comprehensive income for the year	**-**	**-**	**-**	**24,323**	**909**	**393,302**	**-**	**418,534**
Transactions with owners of the company recorded directly in equity								
Final 2017 dividend paid	-	-	-	-	-	-	(171,042)	(171,042)
First interim 2018 dividend paid	-	-	-	-	-	(114,028)	-	(114,028)
Second interim 2018 dividend payable	-	-	-	-	-	(114,028)	114,028	-
Total distribution to owners of equity	**-**	**-**	**-**	**-**	**-**	**(228,056)**	**(57,014)**	**(285,070)**
At 30 September 2018	**228,055**	**40,594**	**5,517,443**	**118,396**	**5,249**	**1,174,032**	**114,028**	**7,197,797**

The notes set out on pages 47 to 86 form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

Cash flows from operating activities	Note	2019 KShs'000	2018 KShs'000
Net cash flows generated from operations	33	(340,824)	593,395
Gratuity paid	31	(28,608)	(32,430)
Income taxes paid	15(b)	(30,223)	(236,621)
Net cash (used in)/generated from operating activities		**(399,655)**	**324,344**
Cash flows from investing activities			
Interest received	13	49,075	94,691
Purchase of property and equipment	18(a)	(138,007)	(53,323)
Purchase of capital work-in- progress pro-assets		(54,201)	(368,910)
Purchase of intangible assets	19	(582)	(16,218)
Purchase of biological assets	20	-	(1,206)
Proceeds from sale of property and equipment		7,908	143,841
Net cash used in investing activities		**(135,807)**	**(201,125)**
Cash flows from financing activities			
Interest paid	13	(12,564)	(5,166)
Borrowings received	38	518,155	175,969
Borrowings repaid	38	(408,419)	(276,821)
Dividends to minority holders		(35,250)	
Dividends paid on ordinary shares		(228,056)	(285,070)
Net cash used in financing activities		**(166,134)**	**(391,088)**
Net decrease in cash and cash equivalents		(701,596)	(267,869)
Impact of initial application of IFRS 9	3(x)	(4,749)	-
Cash and cash equivalents at the beginning of the year	27	1,135,609	1,406,876
Net unrealised foreign exchange (loss)/gain		-	(3,398)
Cash and cash equivalents at the end of the year		**429,264**	**1,135,609**

The notes set out on pages 47 to 86 form an integral part of the financial statements.

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2019

Cash flows from operating activities	Note	2019 KShs'000	2018 KShs'000
Net cash flows generated from operations	33	(64,840)	(360,853)
Gratuity paid	31	(2,728)	(1,190)
Income taxes paid	15(b)	(6,722)	(8,353)
Net cash used in operating activities		**(74,290)**	**(370,396)**
Cash flows from investing activities			
Dividends received	10	199,750	301,000
Interest received	13	24,229	14,097
Purchase of property and equipment	18(b)	(8,905)	(10,273)
Purchase of capital work-in- progress pro-assets	18(c)	(15,702)	(46,618)
Purchase of intangible assets	19	(264)	(15,716)
Purchase of biological assets	20	-	(1,037)
Proceeds from sale of property and equipment		823	140,623
Net cash generated from investing activities		**199,931**	**382,076**
Cash flows from financing activities			
Interest paid	13	(12,564)	(4,764)
Borrowings received	38	518,155	175,969
Borrowings repaid	38	(408,419)	(276,821)
Dividends paid on ordinary shares		(228,056)	(285,070)
Net cash used in financing activities		**(130,884)**	**(390,686)**
Net decrease in cash and cash equivalents		(5,243)	(379,006)
Cash and cash equivalents at the beginning of the year	27	147,162	524,718
Unrealised foreign exchange gain		-	1,450
Cash and cash equivalents at the end of the year		**141,919**	**147,162**

The notes set out on pages 47 to 86 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2019

1. REPORTING ENTITY

Sasini PLC (the "Company") is a limited liability Company incorporated in Kenya under the Kenyan Companies Act 2015, and is domiciled in Kenya. The consolidated financial statements of the company for the year ended 30 September 2019 comprise the company and its subsidiaries (together referred to as the "Group").

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

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

3rd Floor, Rivaan Centre
Westlands
PO Box 30151 – 00100
Nairobi

The shares of the Company are listed on the Nairobi Securities Exchange (NSE).
Where reference is made to accounting policies to Group or Company it should be interpreted as being applicable to consolidated or separate financial statements as the context requires.

2. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated and separate financial statements (the financial statements) are prepared in accordance with and comply with International Financial Reporting Standards (IFRSs) and the Kenya Companies Act, 2015. Details of the Group's and Company's significant accounting policies are included in Note 3.

For Kenyan Companies Act 2015 reporting purposes, the balance sheet is represented in these financial statements by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income.

(b) Basis of accounting and measurement

The consolidated and separate financial statements have been prepared on the historical cost basis as modified by revaluation of certain items of property, plant and equipment, and biological assets which is measured at fair value and a liability for staff gratuity subjected to actuarial valuation.

This is the Group's and Company's first set of financial statements in which IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments, have been applied. Changes to significant accounting policies are described in Note 3(x) (i) (a) and (b).

Details of the significant accounting policies are included in Note 3.

(c) Functional and presentation currency

The financial statements are presented in Kenya shillings (KShs), which is the Group's and Company'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 and Company's ability to continue as a going concern. Therefore, the financial statements have been prepared on the going concern basis.

(e) Use of estimates and judgments

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

(i) Subsidiaries

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 September 2019. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of consolidation (continued)

(i) Subsidiaries – continued

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 carried 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

Policy after 1 October 2018

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 measured based on the consideration to which the Company expects to be entitled in a contract with a customer. The Company recognises revenue when it transfers control of a product or service to a customer.

The Company will recognise revenue in accordance with that core principle by applying the following five steps:
Step 1: Identify the contract(s) with a customer;
Step 2: Identify the performance obligations in the contract;
Step 3: Determine the transaction price;
Step 4: Allocate the transaction price to the performance obligations in the contract;
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

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

(i) Current taxation

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

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

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Taxation (Continued)

(ii) Deferred tax (continued)

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 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

(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

Under IAS 39 –upto 30 September 2018

(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) Classifictaion

The Group classifies its financial assets into loans and receivables and available for sale assets, while financial liabilities are classified into other financial liabilities. 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.

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 and/or Company 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.

Under IAS 39 –upto 30 September 2018

(i) Classifictaion

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.

Other financial liabilities

Other financial liabilities are initially recognized at the fair value less any directly attributable transaction costs. Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method. These include borrowings, trade and other payables and balances due to related parties.

(ii) De-recognition

A financial asset is derecognised when the Group and/or Company 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.

(iii) Offsetting financial assets and liabilities

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

(iv) 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.

Impairment

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 and Company 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial instruments (continued)

Under IFRS 9 – Effective 1 October 2018

(i) Recognition and initial measurement

Financial assets and financial liabilities are recognised in the Group and Company's statement of financial position when the Group and Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

(ii) Classification and subsequent measurement

The Group and Company classify their financial assets in the following categories; amortised cost, fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI). The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

The classification of financial assets and their subsequent accounting will be determined by the application of dual tests examining the contractual cash flow characteristics of the financial instruments and the Group and Company's business model for managing the assets.

Financial assets may be held at amortised cost only where both:

— the asset is held in a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
— the contractual terms of the financial asset give rise on specified dates to cash flows that consist solely of principal and interest on the outstanding principal.

Under IAS 39, all financial liabilities were initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate (EIR) model, unless the option to fair value liabilities was taken. This accounting is the essentially the same under IFRS 9.

(iii) Offsetting financial instruments

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

(iv) Impairment of financial assets

The Group and Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVOCI, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The "incurred loss" model is replaced by the "expected credit loss" model in IFRS 9. This applies to all financial assets not held at fair value through profit and loss (FVTPL) – certain investments, loans, trade receivables and other receivables.

For financial assets carried at amortised cost (including loans and other receivables such as trade debtors), impairment losses should be recognised under the "expected loss model", building up a debtors' provision / allowance account against credit losses over the life of the financial asset (including an estimate of initial credit risk), rather than the "incurred loss model" used under IAS 39, where a loss was recognised only if there was a specific event (such as default) triggering an impairment review.

Under the impairment approach in IFRS 9 it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, the Group and Company will account for expected credit losses, and changes in those expected credit losses. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

(v) Derecognition of financial assets

The Group and Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group and Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group and Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group and Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group and Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

(g) Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently at revalued amounts except bearer plants carried at cost on initial and subsequent measurement less accumulated depreciation and any impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

A bearer plant is defined as a plant that:

(a) is used in the production or supply of agricultural produce;
(b) is expected to bear produce for more than one period; and
(c) has a remote likelihood of being sold as agricultural produce, except for scrap sales.

The Group's tea and coffee bushes meet the above definition and are classified as bearer plants.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Property, plant and equipment (continued)

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
Bearer plants	2.0% p.a

Useful lives, 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 when there are indicators and adjusted for impairment where it is considered necessary.

(h) Intangible assets

An intangible asset arises from the purchases of accounting software. Acquired intangible assets are measured on initial recognition at cost.

The Group and Company 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/ or Company and the cost of the asset can be measured reliably. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be finite.

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

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

(i) Biological assets

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

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 and Company'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.

Biological assests that are expected to be realised within 12 months (coffee and tea produce) at the reporting date are classified as current assets.

(j) Share capital

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

(k) Leases

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

Finance leases, which transfer to the Group and Company 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2019 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Leases (continued)

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group and Company 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 profit or loss 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.

(l) Work-in-progress

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

(m) Inventories

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

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

(n) 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.

(a) 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 and Company, 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 and Company also contributes to a statutory defined contribution pension scheme, the National Social Security Fund (NSSF). Contributions are determined by local statute. The Group's and Company'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.

(b) 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.

(c) Accrued annual leave

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

(d) Other 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.

(o) Provisions

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

(p) Borrowing costs

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

(q) Earnings per share

Basic and diluted earnings per share (EPS) data for ordinary shares are presented in the financial statements. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Finance income and finance costs

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

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

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

(s) Dividends

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

(t) Related party transactions

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

(u) Operating segments

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

(v) Comparatives

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

(w) Impairment of non- financial assets

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

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss.

Impairment losses recognised in respect of cash-generating units are allocated first reduce the carrying amount of any goodwill allocated to the cash generating unit and then to reduce the carrying amounts 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.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Impairment losses in respect of goodwill are not reversed.

(x) New standards, amendments and interpretations

(i) New standards, amendments and interpretations effective and adopted during the year

The Group has adopted the following new standards and amendments during the year ended 30 September 2019, including consequential amendments to other standards with the date of initial application by the Group and Company being 1 October 2018.

The Group and Company has applied IFRS 9 and IFRS 15 from 1 October 2018. A number of other new standards are also effective from 1 October 2018 but they do not have a material effect on the Company's and Company's financial statements.

Due to the transition method chosen by the Company in applying these standards, comparative information throughout these financial statements has not been restated.

The effect of initially applying these standards is mainly attributed to the following:

— A change in the way the Company accounts for consideration payable to customers, and requires certain payments to indirect customers, previously shown as marketing expenses, to be shown as deductions from revenue.

— An increase in impairment losses recognised on financial assets.

(a) IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time requires judgement.

This Standard has not changed the way the Group and Company accounts for consideration payable to customers.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) New standards, amendments and interpretations (Continued)

(i) New standards, amendments and interpretations effective and adopted during the year (continued)

(b) IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurements.

The Group and Company has adopted IFRS 9 Financial Instruments with no revision of prior periods, as permitted by the Standard. The cumulative impact of adopting the Standard has been recognised as a revision of opening reserves in 2018, and is KShs 35,562,000 (Company KShs 33,244,000) arising from the impairment of financial assets under the expected loss model required under IFRS 9, which accelerates recognition of potential impairment on loans and trade receivables when compared with the incurred loss model under IAS 39. A simplified "lifetime expected loss model" has been used for balances arising as a result of revenue recognition, as permitted by the Standard, by applying a standard rate of provision on initial recognition of trade receivables based upon the Group's and Company's historical experience of credit loss modified by expectations of the future, and increasing this provision to take account of overdue receivables.

IFRS 9 also changes the classification and measurement of financial assets. The category of available-for-sale investments (where fair value changes were deferred in reserves until disposal of the investment) has been replaced with the category of financial assets at Fair Value through Profit and Loss (for most investments) and the category of financial assets at Fair Value through Other Comprehensive Income (for qualifying equity investments).

The following table summarises the impact, net of tax, of transition to IFRS 9 on the opening balance of reserves, retained earnings.

	Group	Company
IFRS 9 Financial Instruments	**1 October 2018 Revised for IFRS 9 KShs '000**	**1 October 2018 Revised for IFRS 9 KShs '000**
Trade and other receivables	(45,105)	(38,836)
Bank balances	(4,749)	-
Due from related parties	-	(8,656)
Total impact	**(49,854)**	**(47,492)**
Related deferred tax	14,302	14,248
Net impact	**(35,562)**	**(33,244)**
Presented as follows:		
Retained earnings	(34,880)	(33,244)
Non-controlling interest	(682)	-
	(35,562)	**(33,244)**

Classification and measurement of financial assets and liabilities

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets and financial liabilities as at 1 October 2018.

The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 October 2018 relates solely to the new impairment requirements. There was no change in classification of financial liabilities from prior years.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2019 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) New standards, amendments and interpretations (Continued)

(i) New standards, amendments and interpretations effective and adopted during the year (continued)

(b) IFRS 9 Financial Instruments - continued

Classification and measurement of financial assets and liabilities - continued

Group

	Note	Original classification Under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	IFRS 9 adjustment	New carrying amount under IFRS 9
Financial assets				**KShs '000**	**KShs '000**	**KShs '000**
Trade and other receivables	5(b)	Loans and receivables	Amortised cost	461,125	(45,105)	416,020
Due from related parties	26	Loans and receivables	Amortised cost	1,000	-	1,000
Bank balances and short term deposits	27	Loans and receivables	Amortised cost	1,135,609	(4,749)	1,130,860
Totals				**1,597,734**	**(49,854)**	**1,547,880**

Company

	Note	Original classification Under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	IFRS 9 adjustment	New carrying amount under IFRS 9
Financial assets				**KShs '000**	**KShs '000**	**KShs '000**
Trade and other receivables	5(b)	Loans and receivables	Amortised cost	206,060	(38,836)	167,224
Due from related parties	26	Loans and receivables	Amortised cost	802,082	(8,656)	793,426
Bank balances and short term deposits	27	Loans and receivables	Amortised cost	147,162	-	147,162
Totals				**1,155,304**	**(47,492)**	**1,107,812**

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied prospectively using the cumulative effect method.

(ii) New standards, amendments and interpretations in issue but not yet effective for the year ended 30 September 2019

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 30 September 2019, and have not been applied in preparing these financial statements.

The Group and Company does not plan to adopt these standards early. These are summarised below;

New standard or amendments	Effective for annual periods beginning on or after
- IFRS 16 Leases	1 January 2019
- IFRIC 23 Income tax exposures	1 January 2019
- Prepayment Features with Negative Compensation (Amendments to IFRS 9)	1 January 2019
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)	1 January 2019
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)	1 January 2019
- Annual Improvements to IFRS Standards 2015–2017 Cycle – various standards	1 January 2019
- Amendments to References to Conceptual Framework in IFRS Standards	1 January 2020
- Definition of a Business (Amendments to IFRS 3)	1 January 2020
- Definition of Material (Amendments to IAS 1 and IAS 8)	1 January 2020
- IFRS 17 Insurance Contracts	1 January 2021
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS10 and IAS 28)	To be determined

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) New standards, amendments and interpretations (Continued)

(ii) New standards, amendments and interpretations in issue but not yet effective for the year ended 30 September 2019 – continued

All standards and interpretations will be adopted at their effective date (except for those standards and interpretations that are not applicable to the entity). Those expected to have an impact on the Group and Company are described below:

IFRS 16: Leases

On 13 January 2016 the IASB issued IFRS 16 Leases which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The standard defines a lease as a contract that conveys to the customer ('lessee') the right to use an asset for a period of time in exchange for consideration.

A company assesses whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time.

The standard eliminates the classification of leases as either operating leases or finance leases for a lessee and introduces a single lessee accounting model. All leases are treated in a similar way to finance leases.

Applying that model significantly affects the accounting and presentation of leases and consequently, the lessee is required to recognise:

(a) Assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A Company recognises the present value of the unavoidable lease payments and shows them either as lease assets (right-of-use assets) or together with property, plant and equipment. If lease payments are made over time, a Company also recognises a financial liability representing its obligation to make future lease payments.

(b) depreciation of lease assets and interest on lease liabilities in profit or loss over the lease term; and

(c) Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (typically presented within either operating or financing activities) in the statement of cash flows.

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. However, compared to IAS 17, IFRS 16 requires a lessor to disclose additional information about how it manages the risks related to its residual interest in assets subject to leases.

The standard does not require the Group and Company to recognise assets and liabilities for:

(a) short-term leases (i.e. leases of 12 months or less) and;

(b) leases of low-value assets

The new Standard is effective for annual periods beginning on or after 1 January 2019. Early application is permitted insofar as the recently issued revenue Standard, IFRS 15 Revenue from Contracts with Customers is also applied.

The Group and Company is assessing the potential impact on its financial statements resulting from the application of IFRS 16.

4. USE OF ESTIMATES AND JUDGEMENTS

(a) Critical accounting estimates and assumptions

(i) 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.

(ii) Income taxes and deferred tax

Significant judgement is required in determining the Group's provision for deferred and current 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.

(iii) Post employment benefit obligation

The cost of the unfunded service gratuity is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on scheme assets and future salary increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. Details of post employment benefits and the assumptions applied are disclosed in Note 3(n) and Note 31.

(iv) Allowance for impairment for accounts receivable

The Group and Company uses an Expected Credit Loss (ECL) model to assess any need for impairment of financial assets. Under the ECL model, the Group and Company calculates the allowance for credit losses using a provisioning matrix by considering on a discounted basis, the cash shortfalls it would incur in various default scenarios for prescribed future periods and multiplying the shortfalls by the probability of each scenario occurring.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2019 (CONTINUED)

4. USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

(a) Critical accounting estimates and assumptions (continued)

(iv) Allowance for impairment for accounts receivable (continued)

The allowance is the sum of these probability weighted outcomes. For other assets other than financial assets, if any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group and Company estimates the recoverable amount of the cash generating unit to which the asset belongs. Details of the allowance for impairment are disclosed in Note 5(b) and Note 25.

(v) 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.

(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) Biological assets

Critical judgements are made by the Directors in determining the fair values of biological assets. The key assumptions are set out in Note 20.

(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.

The interest rate profile of the group's interest bearing financial instruments as at 30 September 2019 and 2018 together with the interest rates on that date was as follows:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2019 (CONTINUED)

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

***(a) Market risk* (continued)**

(i) Interest rate risk (continued)

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

	Group		Company	
	2019 KShs'000	2018 KShs'000	2019 KShs'000	2018 KShs'000
Interest income	49,075	94,691	26,366	14,097
Interest expense	(15,314)	(5,166)	(15,314)	(4,764)
Net interest income	**33,761**	**89,525**	**11,052**	**9,333**

The interest rate profile of the Group's and Company's fixed interest-bearing financial instruments as reported to management of the Group is as follows:

	Group		Company	
	2019 KShs'000	2018 KShs'000	2019 KShs'000	2018 KShs'000
Fixed rate instruments				
Financial assets (Note 27)	142,671	661,949	2,293	1,394
Financial liabilities (Note 38)	(114,488)	-	(114,488)	-
Net exposure	**28,183**	**661,949**	**(112,195)**	**1,394**

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
2019	10.00%	3,376	2,363	1,105	774
	(10.00%)	(3,376)	(2,363)	(1,105)	(774)
2018	10.00%	8,953	6,267	933	653
	(10.00%)	(8,953)	(6,267)	(933)	(653)

(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 US Dollar (USD) and Sterling Pound (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 transacts internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD and GBP.

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

	Average rates		Closing rates	
	2019 KShs	2018 KShs	2019 KShs	2018 KShs
US Dollar (USD)	101.85	101.65	103.89	100.96
Sterling Pound (GBP)	129.98	136.79	128.01	132.49

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2019 (CONTINUED)

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Market risk (continued)

(ii) Currency risk - continued

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

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

2019:	**USD**	**GBP**	**EURO**	**Total**
Assets				
Trade and other receivables	143,223	-	-	143,223
Cash and cash equivalents	135,114	1,592	25,222	161,928
At 30 September	**278,337**	**1,592**	**25,222**	**305,151**
Liabilities				
Trade and other payables	(10,533)	-	-	(10,533)
At 30 September				
Net balance sheet position	**267,804**	**1,592**	**25,222**	**294,618**

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

2018:	**USD**	**GBP**	**EURO**	**Total**
Assets				
Trade and other receivables	333,079	-	-	333,079
Cash and cash equivalents	129,323	14,238	16,720	160,281
At 30 September	**462,402**	**14,238**	**16,720**	**493,360**
Liabilities				
Trade and other payables	(11,412)	-	-	(11,412)
Net balance sheet position	**450,990**	**14,238**	**16,720**	**481,948**

Company:

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

Assets	**2019 USD**	**2018 USD**
Trade and other receivables	35,804	159,665
Cash and cash equivalents	97,386	51,142
At 30 September	**133,190**	**210,807**
Liabilities		
Trade and other payables	(10,533)	(11,412)
Net balance sheet position	**122,657**	**199,395**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2019 (CONTINUED)

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Market risk **(continued)**

(ii) Currency risk - continued

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					
2019	10%	26,780	18,746	12,266	8,586
	(10%)	(26,780)	(18,746)	(12,266)	(8,586)
2018	10%	45,099	31,569	19,940	13,958
	(10%)	(45,099)	(31,569)	(19,940)	(13,958)
GBP					
2019	10%	159	111	-	-
	(10%)	(159)	(111)	-	-
2018	10%	1,424	997	-	-
	(10%)	(1,424)	(997)	-	-
EUR					
2019	10%	2,522	1,766	-	-
	(10%)	(2,522)	(1,766)	-	-
2018	10%	1,672	1,170	-	-
	(10%)	(1,672)	(1,170)	-	-

(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 Group and Company has analysed price risk with respect to tea and coffee due to materiality of these two products. The other products do not have a significant price risk impact.

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

	2019 KShs	2018 KShs
Coffee	313	436
Tea	165	207

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.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Market risk (continued)

(ii) Price risk - continued

	Change in price	Group		Company	
		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					
2019	10%	83,321	58,325	78,409	54,886
	(10%)	(83,321)	(58,325)	(78,409)	(54,886)
2018	10%	90,411	63,287	83,833	58,683
	(10%)	(90,411)	(63,287)	(83,833)	(58,683)
Tea					
2019	10%	151,275	105,893	-	-
	(10%)	(151,275)	(105,893)	-	-
2018	10%	218,558	152,991	-	-
	(10%)	(218,558)	(152,991)	-	-

(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	
	2019 KShs'000	2018 KShs'000	2019 KShs'000	2018 KShs'000
Trade receivables-Net	106,367	361,508	7,620	187,522
Other receivables	76,068	99,617	23,847	18,538
Amounts due from related companies	1,000	1,000	777,773	802,082
Bank balances and short term deposits	426,672	1,132,783	141,176	146,439
	610,107	**1,594,908**	**950,416**	**1,154,581**

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

(i) Intercompany receivables

For Group and Company, the calculated ECL which represents the probability of default was 1.4% which considers historical experience over the last 12 months, current conditions, exchange rates and country risk. This was applied to the gross outstanding amount and resulted in a loss allowance of KShs 8,257 thousands and KShs – Nil for the Group and Company respectively for the year ended 30 September 2019.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2019 (CONTINUED)

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

***(b) Credit risk* (continued)**

(ii) Cash and cash equivalents

The Group and Company held cash and bank balances of KShs 429 million and KShs 142 million respectively (2018 – Group – KShs 1,136 million and Company KShs 147 million). The cash and bank balances are held with banks and financial institution counterparties, which are rated between A1 to Ba1, based on GCR, S&P and Moody's ratings.

Impairment on cash and cash equivalents has been measured on a 12-month expected credit loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. On initial application of IFRS 9, the impairment allowance for cash balances as at 1 October 2018 and 30 September 2019 was KShs 4,749,000 and KShs 353,000 respectively (Company KShs Nil and KShs Nil respectively).

Impairment losses movement for cash and bank balances in the year was

	Group		Company	
	2019 KShs'000	2018 KShs'000	2019 KShs'000	2018 KShs'000
At 1 October	-	-	-	-
Day 1 adjustment	4,749	-	-	-
Writeback to profit or loss	(4,396)	-	-	-
As at 30 September	**353**	**-**	**-**	**-**

(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 Group's reputation.

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

Group:				
2019:	**0-1 month KShs'000**	**2-3 months KShs'000**	**4-12 months KShs '000**	**Total KShs'000**
Trade and other payables	231,216	19,410	46,182	296,808
Borrowings	-	-	114,488	114,488
	231,216	**19,410**	**160,670**	**411,296**
2018:				
Trade and other payables	57,748	32,064	321,783	411,595
	57,748	**32,064**	**321,783**	**411,595**

Company:				
2019:	**0-1 month KShs'000**	**2-3 months KShs'000**	**4-12 months KShs '000**	**Total KShs'000**
Trade and other payables	3,311	14,331	13,121	30,763
Borrowings	-	-	114,448	114,488
	3,311	**14,331**	**127,609**	**145,251**
2018:				
Trade and other payables	9,873	11,241	89,816	110,930
	9,873	**11,241**	**89,816**	**110,930**

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) Agricultural risk

Agricultural risk is the risk of direct or indirect loss arising from adverse agricultural conditions such as disease outbreaks, floods, droughts and other adverse weather events caused by climatic changes.

The Group's risk management process with respect to agricultural risk focuses on anticipating, avoiding and/or reacting to shocks attributable to adverse agricultural conditions. The Group's objective is to achieve an efficient risk management system for agriculture that preserves the value of agricultural outputs, strengthens the viability of farm businesses, and ensures an environment which supports and sustains continued investment in the farming sector.

The Group has adopted the following strategies to mitigate agricultural risk:

(a) Agricultural diversification of products and processes
(b) Adoption of sound agricultural practises such as cross-breeding to attain disease and weather resistant breed

The exposure to agricultural risk cannot be quantified at the reporting date.

(f) 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 on 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 disclosures only cover instruments measured at fair value.

Level 1

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

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.

6. DETERMINATION OF FAIR VALUES (CONTINUED)

Level 3 (Continued)

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

	Level 1 KShs'000	Level 2 KShs'000	Level 3 KShs'000	Total fair value KShs'000
2019:				
Financial assets designated at fair value through profit and loss				
Investment in unquoted shares	-	-	-	-
2018:				
Financial assets designated at fair value through profit and loss				
Investment in unquoted shares	-	-	525	525

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

The following table shows an analysis of non-financial assets held at fair value as at 30 September 2019 and 2018:

	Group		Company	
	2019 KShs'000	2018 KShs'000	2019 KShs'000	2018 KShs'000
Non-financial assets				
Property, plant and equipment*	11,285,344	8,493,097	7,439,649	5,840,382
Biological assets	1,323,131	1,330,011	216,968	282,601
Total assets	**12,608,475**	**9,823,108**	**7,656,617**	**6,122,983**

*The carrying amount relates only to classes of property, plant and equipment carried at revalued amounts s all property, plant and equipment excluding the bearer plant that is carried at cost.

On 30 September 2019, Knight Frank Valuers Limited, professionally valued the Group's machinery, equipment and furniture while building and freehold land were valued on 30 September 2019. The valuation was 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 pre-tax 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 2 and 3 fair value based on the inputs to the valuation techniques.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2019 (CONTINUED)

7. SEGMENT INFORMATION

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

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:

Segment information is as presented below:

30 September 2019:	Tea KShs '000	Coffee KShs '000	Others KShs '000	Consolidated KShs '000
Revenue				
Total sales	1,512,730	833,213	460,887	2,806,830
Intergroup sales	-	-	(12,000)	(12,000)
Net sales to external customers	1,512,730	833,213	448,887	2,794,830
Other income	9,215	114,453	13	123,681
	1,521,945	**947,666**	**448,900**	**2,918,511**
Results				
Operating results on operating activities	(102,290)	(150,451)	(133,525)	(386,266)
Operating results on biological assets	66,923	(72,766)	-	(5,843)
Operating results before tax	**(35,367)**	**(223,217)**	**(133,525)**	**(392,109)**

30 September 2019:	Tea KShs '000	Coffee KShs '000	Others KShs '000	Consolidated KShs '000
Assets and liabilities				
Segment assets	**3,508,242**	**10,723,140**	**442,977**	**14,674,359**
Segment liabilities	**1,013,920**	**606,413**	**168,971**	**1,789,304**
Other segment information				
Capital expenditure - tangible fixed assets	117,825	42,740	31,643	192,208
Depreciation and amortisation of Leasehold land and intangible assets	80,950	48,597	32,640	162,187
Income tax credit	-	-	23,562	23,562
Interest income	-	-	49,075	49,075
Interest expense	-	-	(15,314)	(15,314)
Average number of employees	2,613	933	338	3,884

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2019 (CONTINUED)

7. SEGMENT INFORMATION (CONTINUED)

30 September 2018:	Tea KShs '000	Coffee KShs '000	Others KShs '000	Consolidated KShs '000
Revenue				
Total sales	2,185,577	904,111	437,532	3,527,220
Intergroup sales	-	-	(12,000)	(12,000)
Net sales to external customers	2,185,577	904,111	425,532	3,515,220
Other income	23,916	170,204	67,380	261,500
	2,209,493	**1,074,315**	**492,912**	**3,776,720**
Results				
Operating results on operating activities	209,692	(25,145)	114,509	299,056
Operating results on biological assets	23,259	32,300	-	55,559
Operating results before tax	**232,951**	**7,155**	**114,509**	**354,615**
Assets and liabilities				
Segment assets	**3,614,227**	**9,038,987**	**308,166**	**12,961,380**
Segment liabilities	**998,936**	**537,345**	**101,316**	**1,637,597**
30 September 2019:				
Other segment information				
Capital expenditure - tangible fixed assets	70,232	66,716	285,285	422,233
Depreciation and amortisation of leasehold land and intangible assets	72,687	34,441	32,586	139,714
Income tax expense	-	-	(155,283)	(155,283)
Interest income	-	-	94,691	94,691
Interest expense	-	-	(5,166)	(5,166)
Average number of employees	2,851	1,138	135	4,124

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

The Group's tea, rental and leasing operations are located in Nyamira 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, biological assets, 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2019 (CONTINUED)

8. REVENUE

	Group		Company	
	2019 KShs'000	2018 KShs'000	2019 KShs'000	2018 KShs'000
Tea	1,512,753	2,185,577	-	-
Coffee	833,213	904,111	784,094	838,330
Livestock & dairy produce	53,519	53,667	4,207	2,844
Retail- Blended tea and coffee	109,967	115,235	109,967	115,235
Milling and handling income	50,468	68,191	51,860	68,191
Marketing commission	37,888	51,488	37,888	51,488
Avocado	96,112	131,103	-	-
Macademia	95,601	-	-	-
Miscellaneous income	5,309	5,848	-	-
	2,794,830	**3,515,220**	**988,016**	**1,076,088**

9. COST OF SALES

General charges	346,361	372,897	104,324	104,783
Estates maintenance	355,202	462,660	90,464	101,068
Production expenses	413,341	443,922	58,308	55,770
Green leaf purchases	503,840	545,776	-	-
Coffee purchases and other charges	562,707	511,874	562,707	511,874
Livestock expenses	54,548	54,035	3,836	3,990
Retail trading expenses	98,828	86,738	98,828	86,738
Coffee mill expenses	40,078	44,297	40,078	44,297
Transport and insurance	37,310	42,935	-	-
Inventory adjustments	(52,108)	97,983	(87,102)	(11,713)
	2,360,107	**2,663,117**	**871,443**	**896,807**

10. OTHER INCOME

	Group		Company	
	2019 KShs'000	2018 KShs'000	2019 KShs'000	2018 KShs'000
Net gain/(loss) on disposal of property, plant and equipment	(2,626)	67,762	(13)	68,597
Management fees	-	-	56,089	69,165
Rent income	1,228	938	7,735	938
Dividend income	-	-	199,750	301,000
Other income	125,079	192,800	112,621	166,031
	123,681	**261,500**	**376,182**	**605,731**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2019 (CONTINUED)

11. ADMINISTRATION AND ESTABLISHMENT EXPENSES

	Group		Company	
a) Administration and establishment expenses	**2019 KShs'000**	**2018 KShs'000**	**2019 KShs'000**	**2018 KShs'000**
Staff costs (Note 11(b))	219,733	196,566	109,869	105,918
Insurance and medical costs	43,709	42,594	9,306	7,863
Depreciation of property, plant and equipment	157,648	134,514	46,858	46,327
Amortisation of intangible assets	4,438	4,996	3,954	4,343
Amortisation of leasehold land	101	204	-	102
Auditors' remuneration	13,200	12,878	7,146	7,078
Directors' emoluments	37,319	32,023	37,319	32,023
Legal and professional fees	18,734	11,869	10,370	5,470
Secretarial costs	3,804	5,150	804	1,950
Travelling and accommodation	3,068	3,628	2,158	3,102
Office expenses	273,570	220,488	129,567	83,731
Administration costs	50,814	94,736	50,814	94,736
Bank charges	6,413	4,968	2,847	3,260
Other expenses	80,213	5,319	30,005	1,803
	912,764	**769,903**	**441,017**	**397,706**

b) Staff costs				
Salaries and wages	199,672	176,681	97,682	94,765
Staff leave accruals	-	(289)	-	(513)
Pension costs	20,061	20,174	12,187	11,666
	219,733	**196,566**	**109,869**	**105,918**

12. SELLING AND DISTRIBUTION EXPENSES

	Group		Company	
	2019 KShs'000	**2018 KShs'000**	**2019 KShs'000**	**2018 KShs'000**
Warehousing and storage charges	**31,906**	**44,644**	-	-

13. NET FINANCE INCOME

	Group		Company	
	2019 KShs'000	**2018 KShs'000**	**2019 KShs'000**	**2018 KShs'000**
(a) Finance income				
Interest income	49,075	94,691	24,229	14,097
Realised foreign exchange	2,649	17,972	2,137	17,970
Unrealised foreign exchange gain	12	-	-	-
	51,736	**112,663**	**26,366**	**32,067**
(b) Finance cost				
Interest expense	(15,314)	(5,166)	(15,314)	(4,764)
Realised foreign exchange loss	(3,230)	(13,306)	(1,980)	(379)
Unrealised foreign exchange loss	(2,382)	-	(72)	-
	(20,926)	(18,472)	(17,366)	(5,143)
Net finance income	**30,810**	**94,191**	**9,000**	**26,924**

14. PROFIT BEFORE TAXATION

	Group		Company	
	2019 KShs'000	**2018 KShs'000**	**2019 KShs'000**	**2018 KShs'000**
The (loss)/profit before taxation is Arrived at after charging/ (crediting): Depreciation	157,648	134,514	46,858	46,327
Amortisation of intangible assets	4,438	4,996	3,954	4,343
Amortisation of leasehold land	101	204	-	102
Directors' emoluments:				
- Fees	8,545	7,896	8,545	7,896
- Other remuneration	28,774	24,127	28,774	24,127
Pension costs	20,061	20,174	12,187	11,666
Auditors' remuneration	13,200	13,210	7,146	7,078
Interest expense	15,314	5,166	15,314	4,764
Unrealised exchange losses	2,382	-	72	-
Realised foreign exchange losses	3,230	13,306	1,980	379
Interest income	(49,075)	(94,691)	(24,229)	(14,097)
Unrealised foreign exchange gain	(12)	-	-	-
Realised foreign exchange gain	(2,649)	(17,972)	(2,137)	(17,970)
Net (gain)/loss on disposal of assets	(2,626)	67,762	(13)	68,597

15. TAX EXPENSE

(a) Statement of comprehensive income

	Group		Company	
Current tax expense	**2019 KShs'000**	**2018 KShs'000**	**2019 KShs'000**	**2018 KShs'000**
Income tax on the taxable				
profit for the year at 30%	34,535	163,513	9,589	16,632
Capital gains tax	-	914	-	914
Prior year under provision	(17,561)	13,796	(17,561)	-
Total current tax	16,974	178,223	(7,972)	17,546
Deferred tax credit				
Deferred tax credit arising from operating activities	(83,876)	(5,765)	(20,711)	(3,418)
Derecognised deferred tax	56,828	-	-	-
Deferred tax (credit)/charge on biological assets fair value	(1,753)	(27,750)	(19,379)	10,458
Prior year under/(over) provision	(11,735)	10,575	(8,558)	6,766
Total deferred tax charge/(credit)	(40,536)	(22,940)	(48,648)	13,806
Taxation expense for the year	**(23,562)**	**155,283**	**(56,620)**	**31,352**
Reconciliation of tax expense:				
Accounting (loss)/profit before taxation	(361,299)	448,806	(3,858)	448,977
Tax applicable rate at 30%	(108,390)	134,642	(1,157)	134,693
Tax effects of items not allowed for tax or tax exempt	9,788	13,636	(29,344)	(92,741)
Effect of income taxed at 5% (25% variance)	-	(17,366)	-	(17,366)
Derecognised deferred tax	56,828	-	-	-
Movement in unrecognized deferred tax	47,508	-	-	-
Prior year under/(over) provision:				
- Deferred tax	(11,735)	10,575	(8,558)	6,766
- Current tax	(17,561)	13,796	(17,561)	-
	(23,562)	**155,283**	**(56,620)**	**31,352**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2019 (CONTINUED)

15. TAX EXPENSE (CONTINUED)

(b) Statement of financial position

	Group		Company	
	2019 KShs'000	2018 KShs'000	2019 KShs'000	2018 KShs'000
Balance brought forward	(72,314)	(13,916)	(21,200)	(30,393)
Charge/(credit) for the year	16,974	178,223	(7,972)	17,546
Paid during the year	(30,223)	(236,621)	(6,722)	(8,353)
Balance carried forward	**(85,563)**	**(72,314)**	**(35,894)**	**(21,200)**
Presented as: Tax recoverable	(93,118)	(83,756)	(35,894)	(21,200)
Tax payable	7,555	11,442	-	-
	(85,563)	**(72,314)**	**(35,894)**	**(21,200)**

(c) Dividend tax account

The Group and the Company have credit balances on the dividend tax accounts of KShs 1,129,118,231 (2018 – KShs 835,660,285) and KShs 590,945,495 (2018 – KShs 222,519,928), respectively, which include tax payments to 30 September 2019.

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 KShs 228,055,500 (2018 – KShs 228,055,500) ordinary shares outstanding during the year. Basic and diluted earnings per share are the same.

	Group		Company	
	2019 KShs'000	2018 KShs'000	2019 KShs'000	2018 KShs'000
Earnings per share on normal operations	(1.38)	1.13	0.43	1.72
Earnings per share on biological assets	(0.01)	0.17	(0.20)	0.11
Net earnings per share (KShs)	**(1.39)**	**1.30**	**0.23**	**1.83**

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. A first Interim dividend of KShs 0.5 per share (50%) (2018 – 0.50 (50%) was declared and paid on 16 July 2019. The directors do not recommend the payment of second interim dividend (2018 – KShs 0.50 per share (50%). This amounts to total dividend of KShs 0.5 per share (50%) for the year (2018 – KShs 1.00 (100%)). 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	
	2019 KShs'000	2018 KShs'000	2019 KShs'000	2018 KShs'000
Dividends per share (KShs)	**0.50**	**1.00**	**0.50**	**1.00**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2019 (CONTINUED)

18. PROPERTY, PLANT AND EQUIPMENT

(a) Group

2019:	Land and development KShs'000	Bearer plants KShs'000	Building and improvements KShs'000	Plant and machinery KShs'000	Rolling stock and implements KShs'000	Furniture, computers and equipment KShs'000	Total KShs'000
Cost or valuation							
At 1 October 2018	6,766,345	756,726	1,049,055	734,285	269,418	73,278	9,649,107
Revaluation	2,058,655	-	(92,538)	10,104	(78,226)	(6,689)	1,891,306
Transfer from WIP – Note 18(c)	-	-	232,710	206,312	-	-	439,022
Additions	-	-	7,519	108,469	10,922	11,097	138,007
Disposal	-	-	(3,936)	-	(15,231)	(111)	(19,278)
	8,825,000	756,726	1,192,810	1,059,170	186,883	77,575	12,098,164
Depreciation							
At 1 October 2018	-	569,945	191,916	104,875	73,432	29,061	969,229
Impairment loss*	-	8,069	1,249	4,692	856	(576)	14,290
Revaluation	-	-	(238,786)	(138,313)	(77,737)	(35,302)	(490,138)
Charge for the Period	-	8,177	54,960	50,551	35,048	8,912	157,648
Disposal	-	-	(656)	-	(7,977)	(111)	(8,744)
At 30 September 2019	-	586,191	8,683	21,805	23,622	1,984	642,285
Carrying amount as at 30 September 2019	**8,825,000**	**170,535**	**1,184,127**	**1,037,365**	**163,261**	**75,591**	**11,455,879**

* Impairment of bearer plants and Coffee machinery under Mweiga Estates Limited due to change in the business of the entity from Coffee growing to Macadamia nuts.

2018	Land and development KShs'000	Bearer plants KShs'000	Building and improvements KShs'000	Plant and machinery KShs'000	Rolling stock and implements KShs'000	Furniture, computers and equipment KShs'000	Total KShs'000
Cost or valuation							
At 1 October 2017	6,766,345	744,300	1,068,905	772,229	259,723	62,272	9,673,774
Transfer from WIP – Note 18(c)	-	-	-	2,201	365	-	2,566
Additions	-	12,426	2,150	8,402	19,336	11,009	53,323
Disposal	-	-	(22,000)	(48,547)	(10,006)	(3)	(80,556)
At 30 September 2018	6,766,345	756,726	1,049,055	734,285	269,418	73,278	9,649,107
Depreciation							
At 1 October 2017	-	561,116	145,313	74,160	44,164	21,311	846,064
Charge for the Period	-	8,829	50,270	36,789	30,874	7,752	134,514
Disposal	-	-	(3,667)	(6,074)	(1,606)	(2)	(11,349)
At 30 September 2018	-	569,945	191,916	104,875	73,432	29,061	969,229
Carrying amount as at 30 September 2018	**6,766,345**	**186,781**	**857,139**	**629,410**	**195,986**	**44,217**	**8,679,878**

18. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Group (continued)

The Group's building and freehold land was revalued on 30 September 2019 by Knight Frank Valuers Limited, a firm of registered independent valuers, on the market value existing use basis.

The Group's plant, equipment, machinery, furniture and fittings were revalued on 30 September 2019 by Knight Frank Valuers Limited, registered valuers, on replacement cost 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.

There were no idle assets at 30 September 2019 and 2018. There was no property given as security as at 30 September 2019 and 2018.

Carrying amount under historical cost

The carrying amount of property, plant and equipment would have been as stated below if property, plant and equipment had been carried under the cost model.

	2019 KShs'000	2018 KShs'000
Cost	2,734,111	2,176,361
Accumulated depreciation	(678,461)	(649,037)
Net book value	**2,055,650**	**1,527,324**

(b) Company

2019	Land and development KShs'000	Bearer plants KShs'000	Building and improvements KShs'000	Plant and machinery KShs'000	Rolling stock and implements KShs'000	Furniture, computers and equipment KShs'000	Total KShs'000
Cost or valuation							
At 1 October 2018	5,237,345	138,196	358,327	209,850	117,565	49,794	6,111,077
Transfer from/(to) related parties*	-	(16,685)	-	3,024	(577)	565	(13,673)
Revaluation	1,581,655	-	(27,636)	(26,879)	(47,426)	(22,447)	1,457,267
Transfer from WIP (Note 18(c))	-	-	2,196	13,336	-	-	15,532
Additions	-	-	1,557	2,794	231	4,323	8,905
Disposal	-	-	-	-	(1,170)	(99)	(1,269)
At 30 September 2019	6,819,000	121,511	334,444	202,125	68,623	32,136	7,577,839
Depreciation							
At 1 October 2018	-	124,469	49,124	29,086	36,986	17,303	256,968
Transfer from/(to) related parties		(14,664)	-	520	6	(7)	(14,145)
Revaluation	-	-	(59,220)	(37,204)	(43,680)	(22,077)	(162,181)
Depreciation	-	582	13,144	11,574	14,975	6,583	46,858
Disposal	-	-	-	-	(334)	(99)	(433)
	-	110,387	3,048	3,976	7,953	1,703	127,067
Carrying amount As at 30 September 2019	**6,819,000**	**11,124**	**331,396**	**198,149**	**60,670**	**30,433**	**7,450,772**

* The net intercompany transfers relates to bearer plants transfer from Sasini PLC to Mweiga Estates Limited and Coffee machinery from Aristocrats Tea and Coffee Exporters Limited to Sasini PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2019 (CONTINUED)

18. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) Company (continued)

2018

	Land and development KShs'000	Bearer plants KShs'000	Building and improvements KShs'000	Plant and machinery KShs'000	Rolling stock and implements KShs'000	Furniture, computers and equipment KShs'000	Total KShs'000
Cost or valuation							
At 1 October 2017	5,237,345	138,196	378,177	258,156	122,647	41,915	6,176,436
Additions	-	-	2,150	241	-	7,882	10,273
Disposal	-	-	(22,000)	(48,547)	(5,082)	(3)	(75,632)
At 30 September 2018	5,237,345	138,196	358,327	209,850	117,565	49,794	6,111,077
Depreciation							
At 1 October 2017	-	123,887	39,909	23,302	22,792	11,229	221,119
Depreciation	-	582	12,882	11,858	14,929	6,076	46,327
Disposal	-	-	(3,667)	(6,074)	(735)	(2)	(10,478)
	-	124,469	49,124	29,086	36,986	17,303	256,968
Carrying amount As at 30 September 2018	**5,237,345**	**13,727**	**309,203**	**180,764**	**80,579**	**32,491**	**5,854,109**

The Company's building and freehold land was revalued on 30 September 2019 by Knight Frank Valuers Limited, a firm of registered independent valuers, on the market value existing use basis.

The Company's plant, equipment, machinery, furniture and fittings were revalued on 30 September 2019 by Knight Frank Valuers Limited, registered valuers, on the replacement cost 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.

There were no idle and fully depreciated assets at 30 September 2019 and 2018. In addition, there was no property given as security as at 30 September 2019 and 2018.

Carrying amount under historical cost
The carrying amount of property, plant and equipment would have been as stated below if property, plant and equipment had been carried under the cost model.

	2019 KShs'000	2018 KShs'000
Cost	690,706	684,222
Accumulated depreciation	(155,150)	(167,395)
Carrying amount	**535,556**	**516,827**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2019 (CONTINUED)

18. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(c) Capital work-in-progress

	Group		Company	
	2019 KShs'000	2018 KShs'000	2019 KShs'000	2018 KShs'000
Balance brought forward	555,032	188,688	118,426	71,808
Additions	54,201	368,910	15,702	46,618
Impairment	(81,108)	-	(81,108)	-
Transfer to property, plant and equipment – Note 18 (a) and (b)	(439,022)	(2,566)	(15,532)	-
Balance carried forward	**89,103**	**555,032**	**37,488**	**118,426**

Capital work-in-progress relates to buildings and leasehold improvements under construction and bearer plants that have not gone through full biological transformation. The asset impaired relates to an incomplete biogas plant that could not be operationalised.

19. INTANGIBLE ASSETS

	Group		Company	
	2019 KShs'000	2018 KShs'000	2019 KShs'000	2018 KShs'000
Cost				
At 1 October	87,972	71,754	44,662	28,946
Additions	582	16,218	264	15,716
At 30 September	88,554	87,972	44,926	44,662
Amortisation				
At 1 October	71,942	66,883	29,629	25,286
Opening balance adjustment	(18)	63	-	-
Charge for the year	4,438	4,996	3,954	4,343
At 30 September	76,362	71,942	33,583	29,629
Carrying value at 30 September	**12,192**	**16,030**	**11,343**	**15,033**

Intangible assets relate to software costs.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2019 (CONTINUED)

20. BIOLOGICAL ASSETS

(a) Group

2019:	Current Coffee produce KShs'000	Current Tea produce KShs'000	Current Sub total KShs'000	Non-current Other trees KShs '000	Non-current Livestock KShs'000	Non-current Sub total KShs'000	Total KShs'000
Carrying value at 1 October 2018	**266,200**	**16,833**	**283,033**	**1,033,830**	**13,148**	**1,046,978**	**1,330,011**
Gains due to biological transformation at fair value	(167,668)	(1,747)	(169,415)	166,350	(2,778)	163,572	(5,843)
Decreases due to harvest at fair value	-	(1,517)	(1,517)	480	-	480	(1,037)
	(167,668)	(3,264)	(170,932)	166,830	(2,778)	164,052	(6,880)
Carrying value as at 30 September 2019	**98,532**	**13,569**	**112,101**	**1,200,660**	**10,370**	**1,211,030**	**1,323,131**

2018:	Current Coffee produce KShs'000	Current Tea produce KShs'000	Current Sub total KShs'000	Non-current Other trees KShs '000	Non-current Livestock KShs'000	Non-current Sub total KShs'000	Total KShs'000
Carrying value at 1 October 2017	**236,554**	**14,480**	**251,034**	**1,160,212**	**11,167**	**1,171,379**	**1,422,413**
Gains due to biological transformation at fair value	29,646	2,353	31,999	21,579	1,981	23,560	55,559
Decreases due to harvest at fair value	-	-	-	(148,774)	-	(148,774)	(148,774)
	29,646	2,353	31,999	(127,195)	1,981	(125,214)	(93,215)
Immature bushes/trees at cost	-	-	-	1,141	65	1,206	1,206
Other adjustment	-	-	-	(328)	(65)	(393)	(393)
Carrying value as at 30 September 2018	**266,200**	**16,833**	**283,033**	**1,033,830**	**13,148**	**1,046,978**	**1,330,011**

The Group is involved in the growing, processing and selling of coffee and tea and breeding of dairy cattle. At 30 September 2019, the Group had 114 (2018 – 95) cows able to produce milk, 69 (2018 – 52) calves that are raised to produce milk in the future, 14 (2018 – 41) bull calves and 50 (2018 – 837) sheep. The Group produced 710,010 (2018 – 664,739) litres of milk with a fair value less cost to sell of KShs 30,771,881 (2018 – KShs 40,518,017) in the year.

The Group has 775 (2018 – 775) hectares of mature coffee bushes. The Group harvested 985,605 (2018 – 891,060) Kgs of coffee.

The Group has 1444 (2018 – 1,434) hectares of mature tea bushes and 19 (2018 – 29) hectares of immature tea bushes. The Group harvested 20,070,145 (2018 – 26,124,495) Kgs of green tea leaves.

(b) Company

2019:	Current Coffee produce KShs'000	Current Sub total KShs'000	Non-current Other trees KShs '000	Non-current Livestock KShs'000	Non-current Sub total KShs'000	Total KShs'000
Carrying value at 1 October 2018	**223,123**	**223,123**	**56,111**	**3,367**	**59,478**	**282,601**
Gains/(losses) due to biological transformation at fair value	(132,611)	(132,611)	69,530	(1,516)	68,015	(64,596)
Adjustments	-	-	(1,037)	-	(1,037)	(1,037)
Carrying value as at 30 September 2019	**90,512**	**90,512**	**124,604**	**1,851**	**126,456**	**216,968**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2019 (CONTINUED)

20. BIOLOGICAL ASSETS (CONTINUED)

(b) Company (continued)

	Current		Non-current			
2018:	**Coffee produce KShs'000**	**Sub total KShs'000**	**Other trees KShs '000**	**Livestock KShs'000**	**Sub total KShs'000**	**Total KShs'000**
Carrying value at 1 October 2017	**190,069**	**190,069**	**53,066**	**3,682**	**56,748**	**246,817**
Gains/(losses) due to biological transformation at fair value	33,054	33,054	2,008	(315)	1,693	34,747
Immature bushes/trees at cost	-	-	1,037	-	1,037	1,037
Carrying value as at 30 September 2018	**223,123**	**223,123**	**56,111**	**3,367**	**59,478**	**282,601**

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:

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Tea produce (Level III)	The valuation model considers the fair value of the un-harvested green leaf as at 30 September 2019. Green leaf volumes were determined by assuming a 7 - day plucking cycle for harvested leaf using October 2019 data. This was then valued using the 2019 similar competitors' out-grower average price.	• Estimated green leaf price per kilogram of KShs 28.5. (2018: KShs 31.80); • Estimated unharvested green leaf volume as at year-end.	The estimated fair value would increase (decrease) if: • The out-grower green leaf prices per kilogram were higher/(lower); • The estimated unharvested volumes were higher/(lower) • The estimated harvest cycle was longer/(shorter)
Coffee produce (Level III)	The valuation model considers the fair value of the un-harvested coffee berries as at 30 September 2019. Coffee berry volumes were determined by assuming an October 2019 – January 2019 harvest cycle for coffeee using budget data. This was then valued using the average auction price per kilogram, adjusted for costs to sell.	• Estimated coffee realisation price per kilogram of KShs • 229 (2018: KShs 337); • Estimated unharvested coffee berry volume as at year-end.	• The estimated fair value would increase (decrease) if: • The realisation price per kilogram were higher/(lower); • The estimated unharvested volumes were higher/(lower) • The estimated exchange rates (USD/KShs) were higher (lower)
Livestock (Level II) Livestock comprises cattle and sheep	Market comparison technique: The fair values are based on the market price of livestock of similar age, weight and market values.	Not applicable	Not applicable
Other trees (Level III)	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 periods between 10 and 50 years. The expected net cash flows are discounted using a risk-adjusted discount rate.	• Estimated future trees realisation price per tree of KShs 1,000 to KShs 4,000 (2018: KShs 1,000 to KShs 6,000); and • Risk-adjusted annual discount rate of 12.73. (2018 - 8.3% to 13.75%).	The estimated fair value would increase (decrease) if: • The estimated tree prices were higher (lower); and • The risk-adjusted discount rates were lower (higher).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2019 (CONTINUED)

21. PREPAID LEASES ON LEASEHOLD LAND

	Group		Company	
	2019 KShs'000	2018 KShs'000	2019 KShs'000	2018 KShs'000
At 1 October 2018	12,285	20,285	-	8,000
Disposal	-	(8,000)	-	(8,000)
At 30 September	12,285	12,285	-	-
Amortisation				
At 1 October 2018	1,776	2,700	-	1,026
Amortisation during the year	101	204	-	102
Disposal	-	(1,128)	-	(1,128)
At 30 September	1,877	1,776	-	-
Carrying value at 30 September	**10,408**	**10,509**	**-**	**-**

The Group's leasehold land was revalued on 30 September 2019 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 4.2 billion (2018 – KShs 3.5 billion). The revaluation has not been adopted in the financial statements.

22. FINANCIAL ASSETS AT FVOCI

	Group		Company	
Trade investments:	2019 KShs'000	2018 KShs'000	2019 KShs'000	2018 KShs'000
Unquoted	-	525	-	-

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

23. INVESTMENT IN SUBSIDIARIES

	Company	
	2019 KShs'000	2018 KShs'000
As at 1 October 2017 and 2018 and at 30 September 2018 and 2019	145,797	145,797

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

	2019		2018	
Name of subsidiary	**Percentage of equity held** %	**Cost** **KShs'000**	**Percentage of equity held** %	**Cost** **KShs'000**
Kipkebe Limited	100	13,177	100	13,177
Keritor Limited (100% held by Kipkebe Limited)	100	-	100	-
Kipkebe Estates Limited (100% held by Kipkebe Limited)	100	-	100	-
Mweiga Estate Limited	85	101,620	85	101,620
Wahenya Limited (100% held by Mweiga Estate Limited)	85	-	85	-
Aristocrats Coffee & Tea Exporters Limited	100	1,000	100	1,000
Sasini Avocado Limited	100	10,000	100	10,000
Sasini Nuts EPZ Kenya Limited	100	10,000	100	10,000
Sasini EPZ Park Limited	100	10,000	100	10,000
		145,797		145,797

Consolidated financial statements have been prepared incorporating the financial statements of the Company and its subsidiaries made up to 30 September 2019 and 2018.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2019 (CONTINUED)

24. INVENTORIES

	Group		Company	
	2019 KShs'000	2018 KShs'000	2019 KShs'000	2018 KShs'000
Raw materials, components	3,646	10,771	-	-
Made tea	203,716	177,961	-	-
Tea and tree nurseries	5,074	5,328	-	-
Coffee	162,309	50,840	146,880	44,292
Estate stores	170,890	174,118	50,193	35,266
Macademia nuts	262,459	-	-	-
	808,095	**419,018**	**197,073**	**79,558**
Inventories write-offs	(7,306)	(7,306)	-	-
	800,789	**411,712**	**197,073**	**79,558**

The amount of inventories recognised as an expense is KShs 482,618,359 – Group and KShs 117,762,995. – Company (2018 – KShs 635,098,970 – Group and KShs 148,762,002 – Company) which was recognised in cost of sales.

25. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019 KShs'000	2018 KShs'000	2019 KShs'000	2018 KShs'000
Trade receivables	210,496	384,949	74,391	187,628
Allowances for impairment	(104,129)	(23,441)	(66,771)	(106)
Net trade receivables	**106,367**	**361,508**	**7,620**	**187,522**
Prepaid expenses	126,514	88,903	12,284	18,024
Other receivables	76,068	99,617	23,747	18,538
Value Added Tax (VAT)	141,661	180,293	46,086	29,367
	450,610	**730,321**	**89,737**	**253,451**
Allowances for impairment:				
At beginning of the year	23,441	19,904	106	13,437
Written off	-	(19,798)	-	(13,331)
Impairment loss recognized 1 October 2018	45,105	-	38,836	-
Impairment loss charge for the year	35,583	23,335	27,829	-
At the end of the year	**104,129**	**23,441**	**66,771**	**106**
Age analysis of trade receivables:				
Less than 30 days	81,019	185,345	-	-
31 to 90 days	20,983	97,129	-	-
Over 90 days (past due but not impaired)	4,365	79,034	7,620	187,522
Over 90 days (past due and impaired)	104,129	23,441	66,771	106
	210,496	**384,949**	**74,391**	**187,628**

26. RELATED COMPANIES BALANCES - Amount due from related companies:

Mweiga Estates Limited	-	-	4,390	32,078
Aristocrats Tea & Coffee Exporters Limited	-	-	33,911	32,098
Sameer Agriculture and Livestock Limited	1,000	1,000	-	-
Kipkebe Limited	-	-	7,250	305,769
Sasini Fruits and Nuts EPZ Kenya Limited	-	-	475,736	188,763
Sasini Epz Park Limited	-	-	237,133	194,428
Sasini Avocado Limited	-	-	27,610	48,946
Provision for related party receivables	-	-	(8,258)	-
	1,000	**1,000**	**777,772**	**802,082**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2019 (CONTINUED)

26. RELATED COMPANIES BALANCES - Amount due from related companies (continued)

The amounts outstanding are unsecured and will be settled in cash. Interest is charged to Sasini Fruits and Nuts Epz Kenya Limited at 9%. The other balances are interest free.

27. CASH AND BANK BALANCES

	Group		Company	
	2019 KShs'000	2018 KShs'000	2019 KShs'000	2018 KShs'000
Cash on hand	2,592	2,826	743	723
Bank balances	284,354	470,834	138,883	145,045
Short term deposit	142,318	661,949	2,293	1,394
	429,264	**1,135,609**	**141,919**	**147,162**

Short term deposits relate to deposits with banks with original maturities of three (3) months or less.

28. SHARE CAPITAL

	Group		Company	
	2019 KShs'000	2018 KShs'000	2019 KShs'000	2018 KShs'000
Authorised:				
At 1 October and 30 September:				
300,000,000 ordinary shares of KShs 1 each	**300,000**	**300,000**	**300,000**	**300,000**
Issued and fully paid:				
At 1 October and 30 September:				
228,055,500 ordinary shares of KShs 1 each	**228,055**	**228,055**	**228,055**	**228,055**

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

29. RESERVES

	Group		Company	
	2019 KShs'000	2018 KShs'000	2019 KShs'000	2018 KShs'000
a) Non-distributable reserves:				
Revaluation reserve	9,742,812	7,627,565	7,046,471	5,517,443
Capital reserve	98,530	98,530	40,594	40,594
Defined benefit reserve	50,839	34,571	5,714	5,249
Biological assets fair value reserve	195,370	198,602	73,179	118,396
	10,087,551	**7,959,268**	**7,165,958**	**5,681,682**
b) Distributable reserves:				
Retained earnings	2,264,204	2,727,309	1,124,739	1,174,032
Proposed dividends	-	114,028	-	114,028
	2,264,204	**2,841,337**	**1,124,739**	**1,288,060**
c) Non-controlling interest	**305,245**	**295,123**	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2019 (CONTINUED)

29. RESERVES (CONTINUED)

The following table summarises the information relating to each of the Group's subsidiaries that has a material Non- Controlling interest before inter – group eliminations;

30 September 2019 In KShs'000 NCI percentage	Mweiga Estate Limited 15%	Wahenya Limited 15%	Total NCI
Non-current assets	1,988,639	-	
Current assets	173,397	46,791	
Non-current liabilities	(144,403)	-	
Current liabilities	(23,522)	(5,938)	
Net current assets underly NCI	**1,994,111**	**40,853**	
Underlying NCI	**299,117**	**6,128**	**305,245**
Revenue	98,430	-	
Profit	80,560	11,054	
OCI	442,418	-	
Total comprehensive income	**621,408**	**11,054**	
Profit allocated to NCI	(21,966)	1,658	(20,308)
OCI allocated to NCI	66,363	-	66,363
Cash flows from operating activities	(67,084)	17,787	
Cash flows from investing activities	209,392	-	
Cash flows from financing activities	(235,000)	(227,000)	
Net in decrease in cash and cash equivalents	**(92,692)**	**(209,213)**	

30 September 2018 In KShs'000 NCI percentage	Mweiga Estate Limited 15%	Wahenya Limited 15%	Total NCI
Non-current assets	1,500,974	-	
Current assets	403,875	335,835	
Non-current liabilities	(76,105)	-	
Current liabilities	(120,234)	(76,856)	
Net current assets underly NCI	**1,708,510**	**258,979**	
Underlying NCI	**256,276**	**38,847**	**295,123**
Revenue	116,604	-	
Profit	(23,253)	10,096	
OCI	67	-	
Total comprehensive income	**(23,186)**	**10,096**	
Profit allocated to NCI	(3,488)	1,514	(1,974)
OCI allocated to NCI	10	-	10
Cash flows from operating activities	10,596	(12,703)	
Cash flows from investing activities	47,419	-	
Cash flows from financing activities	(60,000)	(40,000)	
Net indecrease in cash and cash equivalents	**(1,985)**	**(52,703)**	

Revaluation reserve

The revaluation reserve relates to increases in the fair value of property, plant and equipment recognised in equity.

Defined benefit reserve

Defined benefit reserve relates to remeasurement of post-employment benefits at the reporting date. The remeasurements comprise of actuarial gains and losses on valuation of the gratuity scheme.

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.

Capital reserve

The capital reserves relates to historical reserves that are non-distributable.

30. DEFERRED TAX ASSET/LIABILITY

Recognised deferred tax assets/liabilities:

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

				Prior year	Current year movement		
Group 2019:	**Balance at 1 October**	**Derecognition of deferred tax**	**Day 1 adjustment on IFRS 9**	**under/(over) through P&L**	**through P&L**	**through OCI**	**Balance at 30 September**
	KShs '000		**KShs '000**	**KShs '000**	**KShs '000**	**KShs '000**	**KShs '000**
Property, plant and equipment	713,719	-	-	(8,131)	16,516	199,769	921,873
Other temporary differences	(180,185)	-	(14,302)	(3,570)	36,151	6,944	(154,962)
Biological assets	398,727	-	-	(34)	(1,753)	-	396,940
Tax losses	(56,828)	56,828	-	-	(136,543)	-	(136,543)
	875,433	**56,828**	**(14,302)**	**(11,735)**	**(85,629)**	**206,713**	**1,027,308**

		Prior year	Current year movement		
Group 2018:	**October**	**under/(over) through P&L**	**through P&L**	**through OCI**	**Balance at 30 September**
	KShs '000	**KShs '000**	**KShs '000**	**KShs '000**	**KShs '000**
Property, plant and equipment	737,084	-	(23,365)	-	713,719
Other temporary differences	(208,276)	9	24,460	3,622	(180,185)
Biological assets	421,223	5,254	(27,750)	-	398,727
Tax losses	(55,280)	5,312	(6,860)	-	(56,828)
	894,751	**10,575**	**(33,515)**	**3,622**	**875,433**

			Prior year	Current year movement		
Company 2019:	**Balance at 1 October**	**Day 1 adjustment on IFRS 9**	**under/(over) through P&L**	**through P&L**	**through OCI**	**Balance at 30 September**
	KShs '000	**KShs '000**	**KShs '000**	**KShs '000**	**KShs '000**	**KShs '000**
Property, plant and equipment	313,519	-	(8,132)	4,676	90,421	400,484
Other temporary differences	(17,597)	(14,248)	(392)	(5,373)	200	(37,410)
Biological assets	84,503	-	(34)	(19,379)	-	65,090
Tax losses	-	-	-	(20,015)	-	(20,015)
	380,425	**(14,248)**	**(8,558)**	**(40,091)**	**90,621**	**408,149**

			Prior year	Current year movement		
Company 2018:	**Balance at 1 October**	**OCI**	**under/(over) through P&L**	**through P&L**	**through OCI**	**Balance at 30 September**
	KShs '000	**KShs '000**	**KShs '000**	**KShs '000**	**KShs '000**	**KShs '000**
Property, plant and equipment	320,217	-	5,005	(11,703)	-	313,519
Other temporary differences	(27,873)	2	1,599	8,285	390	(17,597)
Biological assets	73,883	-	162	10,458	-	84,503
	366,227	**2**	**6,766**	**7,040**	**390**	**380,425**

30. DEFERRED TAX ASSET/LIABILITY (CONTINUED)

Presented in the statement of financial position as below:

	Group		Company	
	2019 KShs'000	2018 KShs'000	2019 KShs'000	2018 KShs'000
Entities with net deferred tax asset	(8,865)	(6,997)	-	-
Entities with net deferred tax	1,036,173	882,430	408,149	380,425
Liability	1,027,308	875,433	408,149	380,425

Unrecognised deferred tax asset:

Deferred tax assets of KShs 125,137,201 have not been recognised in respect of tax losses relating to subsidiaries (Mweiga Estates Limited and Wahenya Limited) because it is not probable that future taxable profit will be available against which the Group or subsidiary can use the benefits therefrom.

Tax losses - Group

The tax losses expire within 9 years following the year they arose under the current tax laws. The ageing of tax losses for the Group is as below:

(a) Unrecognised

	Entity			
Year of origin	Wahenya Limited	Mweiga Estates Limited		
	KShs	KShs	Total KShs	Year of expiry
2011	96,461,636	-	96,461,636	2020
2012	41,091,807	44,490,597	85,582,404	2021
2013	17,604,187	76,100,233	93,704,420	2022
2014	13,076,943	21,297,246	34,374,189	2023
2015	12,612,170	5,215,012	17,827,182	2024
2016	-	18,743,979	18,743,979	2025
2018	-	23,576,731	23,576,731	2027
2019	-	46,853,464	46,853,464	2027
Total	**180,846,743**	**236,277,262**	**417,124,005**	

(b) Aging of tax losses for which deferred tax is recognized

	Entity			
	Sasini PLC	Kipkebe Limited		
Year of origin	Amounts KShs	Amounts KShs	Total Amounts KShs	Year of expiry
2019	66,715,615	388,427,718	455,143,333	2028

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2019 (CONTINUED)

31. POST EMPLOYMENT BENEFITS

	Group		Company	
	2019	2018	2019	2018
	KShs'000	KShs'000	KShs'000	KShs'000
Balance brought forward	332,130	322,962	30,267	27,256
Paid during the year	(28,608)	(32,430)	(2,728)	(1,190)
Charge for the year	53,904	53,673	5,739	5,500
Remeasurements	(23,146)	(12,075)	(665)	(1,299)
Balance carried forward	**334,280**	**332,130**	**32,613**	**30,267**
Non-current portion	309,534	296,088	26,893	24,593
Current portion	24,746	36,042	5,720	5,674
	334,280	**332,130**	**32,613**	**30,267**
Charged to profit or loss				
Current service costs	38,517	14,703	2,140	2,028
Interest costs	15,387	38,970	3,599	3,472
	53,904	**53,673**	**5,739**	**5,500**
Charged to other comprehensive income (OCI)				
Actuarial (gain)/ loss on obligation	(23,146)	(12,075)	(665)	(1,299)
Related tax	6,944	3,622	200	390
Net amount to OCI	**(16,202)**	**(8,453)**	**(465)**	**(909)**

The post employment benefit 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 Limited, registered actuaries, as at 30 September 2018 and 2019.

The principle assumptions used were as follows:

	2019	2018
Discount rate	10.69%	11.81%
Future salary increases	9.00%	10.00%

Sensitivity analysis

The results of the actuarial valuation are more sensitive to changes in financial assumptions than to changes in demographic assumptions. A 1% change in the discount rate or salary at the reporting date holding other factors constant would have changed the liability to amounts shown below.

	Group		Company	
A 1% increase in discount rate:	Increase	Decrease	Increase	Decrease
Liability at 30 September 2019 (KShs '000)	316,996	79,210	30,116	35,494
Liability at 30 September 2018 (KShs '000)	311,814	354,646	28,093	32,772

	Group		Company	
A 1% increase in salaries:	Increase	Decrease	Increase	Decrease
Liability at 30 September 2019 (KShs '000)	353,382	316,732	35,497	30,076
Liability at 30 September 2018 (KShs '000)	354,630	311,496	32,795	28,042

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2019 (CONTINUED)

32. TRADE AND OTHER PAYABLES

	Group		Company	
	2019 KShs'000	2018 KShs'000	2019 KShs'000	2018 KShs'000
Trade payables	37,486	60,266	29,468	34,364
Other payables	259,322	351,329	1,295	76,566
	296,808	411,595	30,761	110,930

33. CASH FLOWS GENERATED FROM OPERATIONS

Reconciliation of profit before tax to cash generated from opens:

	Group		Company	
	2019 KShs'000	2018 KShs'000	2019 KShs'000	2018 KShs'000
(Loss)/profit before tax	(361,299)	448,806	(3,858)	448,977
Adjustments for:				
Depreciation and amortisation	162,187	139,714	50,812	50,772
Unrealised foreign exchange loss/ (gain) on borrowings and cash	2,002	(5,538)	2,002	(1,448)
Impairment of work in progress	81,108	-	81,108	-
Impairment of property, plant and equipment	14,290	-	-	-
Impairment of financial assets at FVOCI	525	-	-	-
Interest income	(49,075)	(94,691)	(24,229)	(14,097)
Interest cost	15,314	5,166	15,314	4,764
Gratuity provision	53,904	53,673	5,739	5,500
Loss/(gain) on disposal of land, property and equipment	2,626	(67,762)	13	(68,597)
Dividend income	-	-	(199,750)	(301,000)
Biological assets adjustments	(28)	393	1,037	-
Biological asset transformation	5,843	(55,559)	64,596	(34,747)
Biological assets harvest	1,037	148,774	-	-
Operating profit before working capital changes	**(71,566)**	**572,976**	**(7,216)**	**90,124**
Working capital changes:				
Inventories	(389,077)	(127,498)	(117,515)	(6,132)
Trade and other receivables*	234,606	266,903	124,878	288,466
Related party balances**	-	16,915	15,182	(660,535)
Trade and other payables	(114,787)	(135,901)	(80,169)	(72,776)
Cash flows generated (used in)/from operating activities	(340,824)	593,395	(64,840)	(360,853)

* 2019 movement is net of IFRS 9 initial application impact on trade and other receivables

**2019 movement is net of property and equipment transfers at Company level.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2019 (CONTINUED)

34. 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	
	2019 KShs'000	2018 KShs'000	2019 KShs'000	2018 KShs'000
Ryce East Africa Limited	1,103	1,659	403	1,340
Ryce Engineering Limited	-	31	-	-
Yansam East Africa Limited	6,945	-	-	-
Sameer Management Limited	3,150	3,150	-	-
Sameer Agriculture Limited	306	293	306	262
Yana Tyre Centre	724	1,642	600	1,367
	12,228	**6,775**	**1,309**	**2,969**

(b) Key management compensation (excluding director's emoluments)

	Group		Company	
	2019 KShs'000	2018 KShs'000	2019 KShs'000	2018 KShs'000
Short term employee benefits	50,044	51,730	32,153	32,132
Post-employment benefits	4,499	5,196	3,337	3,337
	54,543	**56,926**	**35,490**	**35,469**

(c) Director's emoluments

	Group		Company	
	2019 KShs'000	2018 KShs'000	2019 KShs'000	2018 KShs'000
Fees and sitting allowances	8,545	7,896	8,545	7,896
Other remuneration	28,774	24,127	28,774	24,127
	37,319	**32,023**	**37,319**	**32,023**

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

35. CAPITAL COMMITMENTS

	Group		Company	
	2019 KShs'000	2018 KShs'000	2019 KShs'000	2018 KShs'000
Authorised and contracted for	**54,401**	**24,972**	**11,067**	**17,476**

36. CONTINGENT LIABILITIES

There are certain pending legal claims brought against the Group and Company at 30 September 2019 and 2018. In particular, litigations relating to Collective Bargaining Agreement for one of the subsidiaries for the years 2014 and 2015 is pending determination at the Court of Appeal. In the opinion of the directors and after taking appropriate legal advice 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 FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2019 (CONTINUED)

37.OPERATING LEASE RENTALS

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

	Group		Company	
	2019 KShs'000	**2018 KShs'000**	**2019 KShs'000**	**2018 KShs'000**
Less than one year	17,518	16,296	17,518	16,296
One year to five years	59,068	56,468	59,068	56,468
Over five years	-	-	-	-
	76,586	**72,764**	**76,586**	**72,764**

During the year KShs 15,458,366 (2018 – KShs 14,379,876) lease rentals was expensed in the group profit or loss.

38. BORROWINGS

	Group		Company	
	2019 KShs'000	**2018 KShs'000**	**2019 KShs'000**	**2018 KShs'000**
Balance as at 1 October 2018	-	100,852	-	100,852
Amounts borrowed during the year	518,155	175,969	518,155	175,969
Repayment of loan in the year	(408,419)	(276,821)	(408,419)	(276,821)
Exchange loss	2,002	-	2,002	-
Accrued interest	2,750	-	2,750	-
Balance at 30 September	**114,488**	**-**	**114,488**	**-**

During the year, Sasini PLC obtained an unsecured short term loan from Barclays Bank Kenya Limited of USD 1.7 million. The interest rate charged on the loan is 6% per annum above 3 months LIBOR on maturity of the facility

39. EVENTS AFTER REPORTING DATE

There were no significant events after the reporting date with a financial statement impact at 30 September 2019.

FIVE YEAR COMPARATIVE STATEMENTS

	2019	2018	2017	2016	2015
PRODUCTION AND SALES STATISTICS					
TEA					
Area – Hectares	1,463	1,463	1,463	1,463	1,463
Production – Tonnes	9,318	10,804	11,209	11,108	8,578
Sales – Tonnes	9,200	10,603	11,280	10,721	8,967
Sales proceeds - KShs/Kg	165	207	206	193	179
COFFEE					
Area – Hectares	775	775	775	775	775
Production – Tonnes	986	891	851	944	993
Sales – Tonnes	797	873	882	993	993
Sales proceeds - KShs'000/tonne	313	436	532	465	435
RESULTS	**KShs '000**	**KShs '000**	**KShs '000**	**KShs '000**	**KShs '000**
Turnover	2,794,830	3,515,220	4,201,195	3,570,629	2,786,126
(Losses)/gains arising from changes in fair value less costs to sell	(5,843)	55,559	81,746	(117,997)	866,796
(Loss)/profit before taxation and non-controlling interest	(361,299)	448,806	520,921	759,818	1,878,274
Taxation (charge)/credit	23,562	(155,283)	(181,514)	(182,833)	(189,725)
(Loss)/profit after taxation before non-controlling interests	(337,737)	293,523	339,407	576,985	1,688,549
Made up as shown below:					
(Loss)/profit arising from operating activities	(314,197)	256,606	288,961	670,253	955,342
(Loss)profit arising from changes in fair value less costs to sell after tax	(3,232)	38,891	57,222	(82,598)	606,757
Non-controlling interest	(20,308)	(1,974)	(6,776)	(10,670)	126,449
	(337,737)	**293,523**	**339,407**	**576,985**	**1,688,548**
Dividends	**(114,028)**	**(228,056)**	**(228,056)**	**(342,083)**	**(285,069)**

FIVE YEAR COMPARATIVE STATEMENTS

CAPITAL EMPLOYED	2019 KShs '000	2018 KShs '000	2017 KShs '000	2016 KShs '000	2015 KShs '000
Property, plant and equipment	11,455,879	8,679,878	8,827,710	8,888,273	8,972,529
Intangible assets	12,192	16,030	4,871	7,275	8,393
Biological assets	1,211,030	1,046,978	1,171,379	1,097,036	1,180,592
Prepaid leases - leasehold land	10,408	10,509	17,585	17,838	18,473
Capital work-in-progress	89,103	555,032	188,688	58,724	33,358
Other investments	-	525	525	525	525
Deferred tax asset	8,865	6,997	97	26,192	77,070
Net current assets	1,443,261	2,186,352	2,281,229	2,439,953	1,836,511
	14,230,738	**12,502,301**	**12,492,084**	**12,535,816**	**12,127,451**
FINANCED BY					
Share capital	228,055	228,055	228,055	228,055	228,055
Reserves	12,351,755	10,686,577	10,610,693	10,527,681	10,512,102
Non-controlling interests	305,245	295,123	306,087	320,800	346,780
Proposed dividend	-	114,028	171,042	285,069	57,014
Equity	12,885,055	11,323,783	11,315,877	11,361,605	11,143,951
Non-current liabilities	1,345,683	1,178,518	1,176,207	1,174,211	983,500
	14,230,738	**12,502,301**	**12,492,084**	**12,535,816**	**12,127,451**
RATIOS					
Earnings per share on operating activities (KShs)	(1.38)	1.13	1.27	2.94	4.19
Earnings/(loss) per share on biological assets (KShs)	(0.01)	0.17	0.25	(0.36)	2.66
Dividend per share (KShs)	0.50	1.00	1.00	1.50	1.25
Dividend cover (times covered)	(1.38)	1.13	1.27	1.96	3.35
Capital employed per share	62.4	54.82	54.78	54.97	53.18

NOTES

FORM OF PROXY/ FOMU YA UWAKILISHI

I/ We...

Of.. being a member/

members of Sasini Plc, do hereby appoint..

of ....

or failing him/her

....of...

failing whom, the Chairman of the Meeting, as my/our proxy, to vote for me/us and on my/ our behalf at the Annual General Meeting of the Company to be held on Friday, 6 March 2020 and at any adjournment thereof.

As witness my/our hand(s) this.. day of 2020

Signature ....

Notes:

1. A member entitled to attend and vote is entitled to appoint one or more proxies to attend and vote in his/her stead and a proxy need not be a member of the Company.
2. In the case of a member being a Limited Company this form must be completed under its Common Seal or under the hand of an officer or attorney duly authorised in writing.
3. The Proxy Form must be delivered to Image Registrars Limited not later than Wednesday, 4 March 2020 at 11.00 a.m.

Completed Proxy Forms should be sent by post to Image Registrars Limited of P O Box 9287, 00100 Nairobi or hand delivered to their offices at Barclays Plaza, 5th Floor, Loita Street. Alternatively, duly signed proxies can be scanned and emailed to **info@image.co.ke** in PDF format.

Mimi/Sisi ....

Wa...kama mwanachama

mwanachama wa Sasini Plc, namteua ....wa
....au

akikosa yeye...wa..

na iwapo hataweza kuhudhuria, mwenyekiti wa Mkutano, kama mwakilishi wangu/wetu, kupiga kura kwa niaba yangu/ yetu katika Mkutano Mkuu wa Kila Mwaka wa Kampuni utakaoandaliwa mnamo tarehe 6 Machi 2020 au wakati wowote ule endapo utaahirishwa.

Kama mashahidi sahihi yangu/yetu siku hii tarehe....................mwezi wa 2020
Sahihi ....

Maelezo:

1. Mwanachama aliye na haki ya kuhudhuria na kupiga kura ana haki ya kuteua mwakilishi mmoja au zaidi kuhudhuria na kupiga kura kwa niaba yake na sio lazima mwakilishi awe mwanachama wa Kampuni.
2. Iwapo mwanachama ni kampuni ya dhima yenye kikomo, hii fomu ni lazima ijazwe chini ya nembo yake au mbele ya afisa au wakili ambaye ataidhinishwa kwa maandishi.
3. Fomu ya Uwakilishi ni lazima iwasilishwe kwa Image Registrars kabla ya Jumatano, 4 Machi 2020 saa 5 asubuhi.

Fomu za Uwakilishi zinapasa kutumwa kwa posta kwa Image Registrars Limited wa SLP 9287, 00100 Nairobi au kwa mkono katika afiza zao zilizoko jumba la Barclays Plaza, ororfa ya 5, Loita Street. Badala yake, fomu za uwakilishi zilizojazwa na kutiwa sahihi zinaweza pia kutolewa nakala na kutumwa kwa barua pepe kwa **info@image.co.ke** kwa umbo la PDF.

FOLD 2

Affix
Stamp
Here

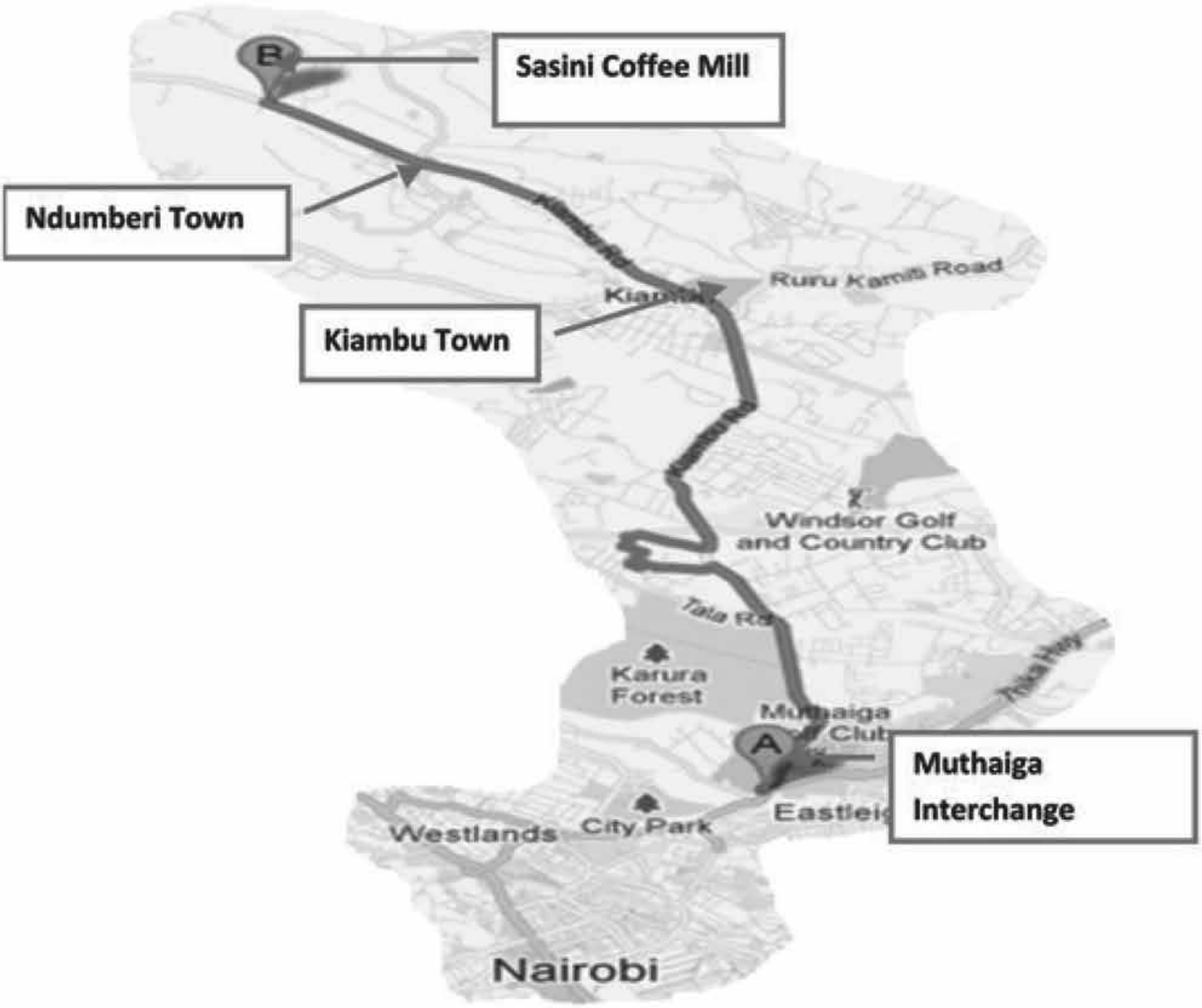
The Company Secretary
Sasini PLC
P.O. BOX 30151
00100 GPO
Nairobi
Kenya

FOLD 1

Sasini

FOLD 3

DIRECTIONS TO KAMUNDU



Sasini

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