KTDA

KENYA TEA DEVELOPMENT AGENCY HOLDINGS LIMITED

2014 - 2015 Annual Report and Financial Statements

The History of KTDA - Holdings Limited

The Kenya Tea Development Agency Holdings Limited is a private company owned by 54 tea factory companies that are in turn owned by approximately 560, 000 small scale tea farmers, spread across the country. KTDA's key responsibil ity is to produce, manufacture and market tea on behalf of small-scale farmers.

History of Kenya Tea

- 1903 Tea introduced to Kenya at Limuru
- 1924 Commercial large scale tea farming started
- 1950 Formation of Tea Board of Kenya (now Tea Directorate) to regulate industry
- 1954 Smallholder cultivation commensed under the Swynnerton plan
- 1957 First smallholder tea factory set up in Ragati, Nyeri

KTDA/Subsidiaries

Tea Factories

Farmers

History of Smallholder Tea Farmers

- 1960 Special Crop Development Authority (SCDA) was established
- 1964 Kenya Tea Development Authority was established
- 2000 Kenya Tea Development Agency Ltd (KTDA) was formed
- 2009 Kenya Tea Development Agency Holdings & KTDA Management Service was formed

KTDA was Formed to:

- Promote tea production/cultivation among smallholder tea farmers
- develop and maintain tea husbandry

- Collect, weigh and handle green leaf, process green leaf

- Market and sell tea for tea farmers, and ensure regular payment for tea delivered
- Provide fertilizer through a credit scheme

- Provide technical, financial and managerial services and infrastructure

Companies that Constitute KTDA

- KTDA (Kenya Tea Development Agency Holdings Limited)
- Kenya Tea Packers (KETEPA)
- KTDA (Kenya Tea Development Agency (MS) Limited)
- Majani Insurance Brokers Ltd.
- Greenland Fedha
- Chai Trading Company Limited
- KTDA Power Company Limited
- TEMEC Tea Machinery & Engineering Company
- KTDA Foundation

Smallholder Ownership and Governance Structure

54 Tea Factory Companies

- Owned by 560,000 small scale tea farmers

Tea Farmers

- Organized through buying centres, owned & managed by farmers
- Buying centres managed by committees elected by farmers
- Farmers also appoint tea factory directors

A unique model that empowers farmers right from the grassroots to the top

Vision

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

Mission Statement

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

Core Values

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

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

Quality Policy

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

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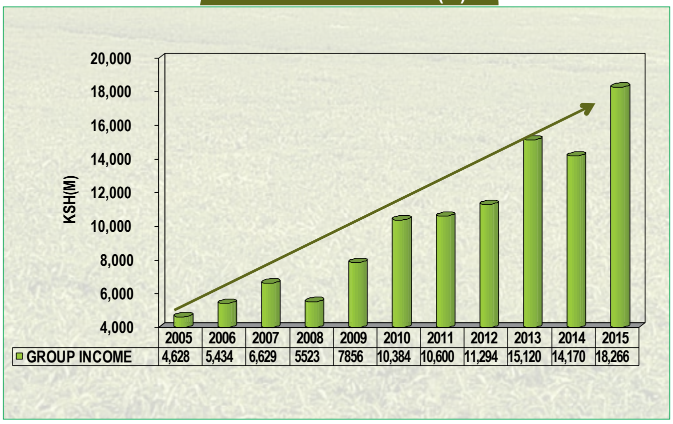
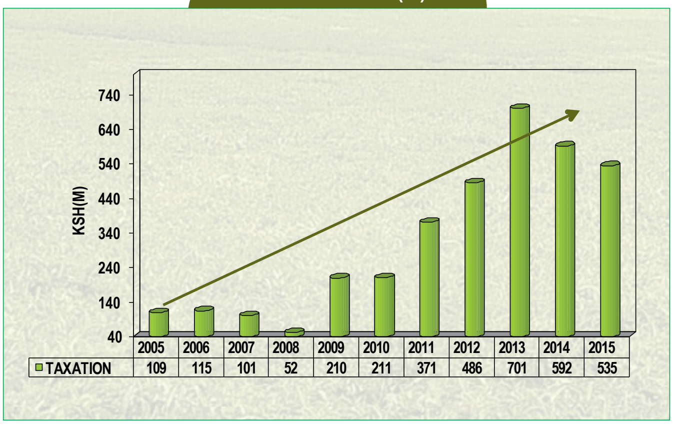
GROUP INCOME - Shs(M)

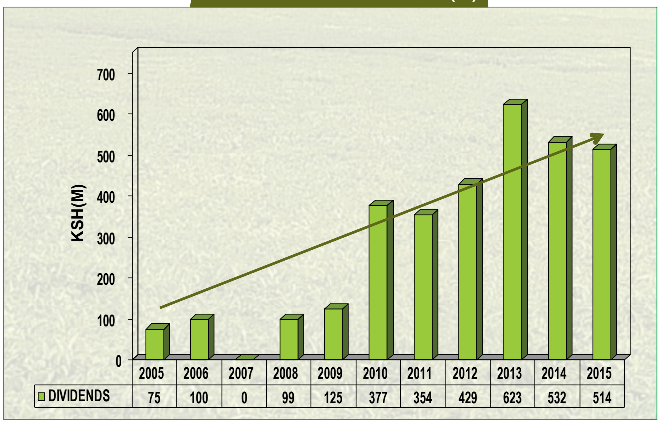


GROUP PROFIT BEFORE TAX - Shs(M)

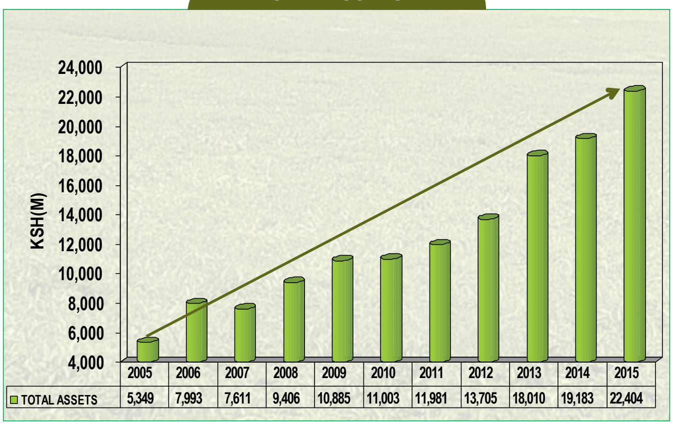
TAXATION - Shs(M)



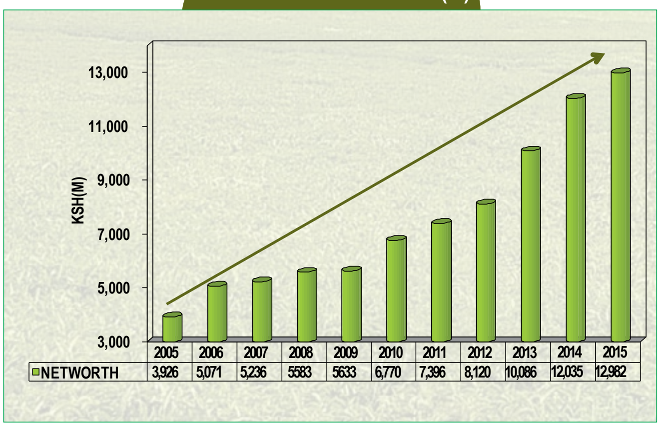
DIVIDENDS PAYOUT - Shs(M)



TOTAL ASSETS



GROUP NETWORTH - Shs(M)



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

DIRECTORS

P. T. Kanyago MBS, EBS	-	Zone 4/Chairman
P. Ngetich OGW,MBS	-	Zone 8/Vice Chairman
Eng. J. M. Wakimani	-	Zone 1
Eng. E. Gakuya	-	Zone 2
G. C. Kirundi HSC	-	Zone 3 Retired 4th December 2014
F. M. Mark	-	Zone 3 Appointed 4th December 2014
J. N. Karua	-	Zone 5
S. M. Ireri	-	Zone 6
P. M. Ringera, HSC	-	Zone 7
S. C. Tonui	-	Zone 9
J. Achoki	-	Zone 10
B. O. Matonda	-	Zone 11
J. M. Mukavale	-	Zone 12
I . Gaha (Ms)	-	Independent Director
L. S. Tiampati, MBS	-	Managing Director
B. K. Ngari	-	Finance & Strategy Director

SECRETARY
J. K. Omanga

MANAGEMENT

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

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

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

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

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

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

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

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

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

Co-operative Bank of Kenya Ltd
Co-operative Bank House
P.O. Box 48231-00100, Nairobi
Tel: 3276000

NOTICE IS HEREBY GIVEN THAT THE FIFTEENTH (15th) ANNUAL GENERAL MEETING OF THE SHAREHOLDERS WILL BE HELD AT THE INTERCONTINENTAL HOTEL, (MARA NORTH ROOM.), NAIROBI, ON THURSDAY 3RD DECEMBER 2015, AT 10.30 A.M. TO TRANSACT THE FOLLOWING BUSINESS: -

ORDINARY BUSINESS

1. To receive and adopt the financial statements for the year ended 30th June 2015, together with the reports of the Chairman, Directors and Auditors thereon.

2. To consider and if deemed appropriate to declare a final dividend of Shs 514,497,200 @ Shs 1,018 per share payable to members on the Register at the close of business on 30th June 2015.

3. To approve the Directors' remuneration of Shs 3,675,000 as at 30th June 2015.

4. To appoint PricewaterhouseCoopers as the Company Auditors as per Section 159(2) of the Companies Act Cap 486, Laws of Kenya and authorize the Directors to fix their remuneration.

   (PwC have expressed their willingness to continue as Company Auditors)

5. To elect Directors representing Zones 5, 6, 11 and 12 following their nomination by directors of their respective zones.

i.	Mr. Jeffithah N. Karua	-	Zone 5
ii.	Mr. Samuel M. Ireri	-	Zone 6
iii.	Mr. Benjamin O. Matonda	-	Zone 11
iv.	Mr. Javan M. Mukavale	-	Zone 12

BY ORDER OF THE BOARD

JOHN KENNEDY OMANGA
COMPANY SECRETARY (REG NO. 654)

Dated at Nairobi on 3rd Day of November 2015

PETER T. KANYAGO, MBS, EBS
CHAIRMAN

PHILIP K. NG'ETICH, OGW, MBS
VICE CHAIRMAN

ENG. JOSEPH M. WAKIMANI
DIRECTOR

ENG. ERASTUS GAKUYA
DIRECTOR

PETER T. KANYAGO, MBS, EBS - CHAIRMAN

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

He serves on the boards of Trans Century Ltd., East Africa Cables Ltd., Eco Bank Tanzania Ltd., and Corporate Insurance Company Limited. He also sits on the boards of the following KTDA subsidiaries: KETEPA, KTDA Foundation, Chai Trading Company Limited (CTCL), Greenland Fedha Ltd, KTDA Power Company Ltd (KTPC), TEMEC, and several Tea Factory Companies.

Mr. Kanyago previously served as the Chairman of Ecobank Kenya Limited. He is the Chairman of East African Elevator Co. Ltd. and Kenya Open Golf Ltd. He is also the patron of Gathera Secondary School.

He serves in the following KTDA committees: Finance, Investment and Strategy, Staff and Remuneration, Nomination and Remuneration International Business Development, and Tender.

PHILIP K. NG'ETICH, OGW, MBS - VICE CHAIRMAN

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

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

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

He is the Chairman of Momul Tea Factory Company Ltd as well as board member of several other tea factories. Mr. Ng'etich serves in the following KTDA committees: Finance, Investment and Strategy, Staff and Remuneration, Nomination and Remuneration and Tender. He also serves on boards of the following KTDA subsidiaries: KTDA Foundation, Majani Insurance Brokers Ltd., Chai Trading Company Limited (CTCL), KTDA Power Company Ltd (KTPC) and TEMEC.

ENG. JOSEPH M. WAKIMANI - DIRECTOR

Eng. Wakimani holds a BSc (Hons) Degree in Civil Engineering from the University Of Nairobi and an MSc degree in Highway Engineering from Birmingham University, UK. He has over 29 years' experience in Engineering Design, Construction and Management.

He is a member of the UK Institute of Highways and Transportation, a registered Professional Engineer with the Engineers' Board of Registration of Kenya (EBR) and a corporate member of the Institute of Engineers of Kenya.

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

Eng. Wakimani is the Chairman of Mataara Tea Factory and KTDA Power Company. He also sits on the boards of KETEPA, TEMEC and various tea factory companies, as well as being a Trustee of KTDA Foundation. He sits in the following KTDA (H) committees: Nomination and Remuneration, Risk Assurance and Governance, and Tender.

ENG. ERASTUS GAKUYA - DIRECTOR

Eng. Gakuya holds a BSc (Hons) degree in Mechanical Engineering from the University of Nairobi. He is a registered Engineer with the Engineers' Registration Board.

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

He sits in the following KTDA committees: Finance, Investment and Strategy, Staff and Remuneration, and Tender.

He is the Chairman of Makomboki Tea Factory and TEMEC, and sits on the boards of several tea factory companies. He is a Board Member of Majani Insurance Brokers Ltd. and KETEPA.

SAMUEL C. TONUI
DIRECTOR

SAMUEL IRERI
DIRECTOR

PAUL M. RINGERA, HSC
DIRECTOR

JAVAN M. MUKAVALE
DIRECTOR

SAMUEL C. TONUI - DIRECTOR

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

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

He is currently the chairman of CTCL and sits on the boards of the following subsidiaries: Majani Insurance Brokers Ltd, Greenland Fedha Ltd (GFL), as well as in the boards of various tea factory companies.

Mr. Tonui sits in the following KTDA committees: Staff provident Fund and Senior Staff Retirement Benefits Scheme, Finance, Investment and Strategy, International Business Development and Tender.

SAMUEL IRERI - DIRECTOR

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

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

He is a director of Rukuriri, Mungania and Kathangariri tea factory companies as well as a board member of Mugui and Nguviu Girls Secondary Schools.

He is the chairman of GFL and a board member of CTCL and KTPC. He is a member of the Finance, Investment and Strategy, Nomination and Remuneration, and Tender committees.

PAUL M. RINGERA, HSC - DIRECTOR

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

He is the treasurer for the Meru Central District Development Forum.

He is currently the chairman of Githongo Tea Factory and serves on the boards of several KTDA-managed tea factory companies. He is also a director of Greater Meru Power Company Limited and Mwigiki Farmers Company Ltd.

He is currently the Chairman of KETEPA and sits on the boards of GFL and TEMEC.

He is a member of the Staff and Remuneration, and Risk Assurance and Governance committees at KTDA.

JAVAN M. MUKAVALE - DIRECTOR

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

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

He is Chairman of the Staff and Remuneration committee and a member of Nomination and Remuneration, Risk Assurance and Governance committees. He serves in the following Boards: Tender, CTCL, KTDA Power Company (KTPC) and TEMEC.

JEFFITHAH KARUA
DIRECTOR

BENJAMIN MATONDA
DIRECTOR

JAMES ACHOKI
DIRECTOR

FRANCIS MACHARIA MARK
DIRECTOR

JEFFITHAH KARUA - DIRECTOR

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

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

He is the Chairman the KTDA Finance, Investment and Strategy Committee and also a member of Nomination and Remuneration, and tender committees. He is the Chairman of Kimunye Tea Factory and sits on the boards of several other KTDA-managed tea factory companies.

He sits on the Tender Board as well as on the boards of Majani Insurance Brokers Ltd., GFL and TEMEC.

BENJAMIN MATONDA - DIRECTOR

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

He serves in the Finance, Investment and Strategy and Staff and Remuneration, and Tender Committees.

Mr. Matonda is Chairman of Majani Insurance Brokers. He also sits on the boards of KETEPA and KTPC.

JAMES ACHOKI – DIRECTOR

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

He has served as director and chairman of Gianchore Tea Factory Limited.

He is currently Chairman of the KTDA Pensions and Provident Fund. He sits in the Risk Assurance and Governance, Pension and Tender Committees. He sits on the boards of the following KTDA subsidiaries: Majani Insurance Brokers, GFL, KTPC and TEMEC. He also sits in various tea factory company boards in Nyamira County.

FRANCIS MACHARIA MARK – DIRECTOR

Mr. Macharia is a graduate of Kenya Science Teachers College and holds a Bachelors degree in Education (Mathematics) from McGill University, Canada.

He has been principal of various secondary schools and was a Principal lecturer at Kenya Science Teachers College. Mr. Macharia has served as a board member of Karuri Secondary School and a member of the Kangema District Education Board. He also served as CDF member of Kangema Constituency.

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

He is a member of the Finance, Investment and Strategy Committees. He is also chairman of the KTDA International Business Development Committee and sits on the boards of Majani Insurance Brokers Ltd, Chai Trading Company Limited and KTDA Power Company.

ISABELLA GAHA (Ms)
DIRECTOR

LERIONKA S. TIAMPATI, MBS
GROUP CEO

BENSON K. NGARI
FINANCE AND STRATEGY DIRECTOR

CS. JOHN KENNEDY OMANGA
GROUP COMPANY SECRETARY

ISABELLA GAHA (Ms) - DIRECTOR

Isabella Gaha is a KTDA (H) Limited independent director appointed on 2nd April 2014. She also holds a Bsc degree in Mechanical Engineering from Jomo Kenyatta University of Agriculture and Technology. She is a Certified Public Accountant of Kenya (CPAK), a member of ICPAK, IOD, ACCA and CISA.

She has previously worked at PricewaterhouseCoopers, Liberty Group, Strathmore University and Wilken Kenya. Ms Gaha holds an MBA from IE Business School in Madrid, Spain. She is the chairperson of the Risk Assurance and Governance Committee. She also serves in the International Business Development and Tender committees.

LERIONKA S. TIAMPATI, MBS – GROUP CEO

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

Prior to joining KTDA, Mr. Tiampati served as the Managing Director of KETEPA. He has also worked as the Head of Marketing at Standard Chartered Bank, Marketing Development Manager at Magadi Soda Company and Head of Marketing at the Agricultural Development Corporation. He sits on the boards of the Standard Group and Family Bank Ltd as well as all KTDA Holdings subsidiaries.

He previously served on the board of the East African Tea Trade Association (EATTA) as Chairman.

BENSON K. NGARI - FINANCE AND STRATEGY DIRECTOR

Mr. Ngari joined KTDA in May 2007 and was later that year appointed the Finance and Strategy Director, a position he holds to date. He holds a BSc degree from the University of Nairobi and an MBA in Finance from the same university. He is a qualified Chartered Accountant (ACA).

He was previously the GM, Finance and Strategy at Postal Corporation of Kenya, prior to which he was the Commercial Controller at Kenya Airways. He also held various positions in the Lonrho East Africa Group prior to joining Kenya Airways. He trained and worked with Ernst and Young in the UK and in Kenya as an auditor.

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

CS. JOHN KENNEDY OMANGA
GROUP COMPANY SECRETARY

Mr. Omanga joined KTDA in 2005 as the Corporate Services Manager. He later became the Company Secretary (Factories) in 2006 and Group Company Secretary in 2007. He previously worked at the Postal Corporation of Kenya, Kenya Posts and Telecommunications Corporation and Kenya National Assurance Company.

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

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

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

"KTDA remains a **farmers' organization** that is attentive to farmers' needs. Lessons learned from the challenges of 2013/14 will remain useful as we endeavour to do the best for the **benefit of our shareholders.**"

Peter T. Kanyago, MBS, EBS - Group Chairman

ESTEEMED SHAREHOLDERS

It is my pleasure to present to you the 15th Annual Report and Audited Financial Statements for the year ended 30th June, 2015. The KTDA Group has performed well in a challenging business environment which was characterized by lower tea production compared to the previous year and recovery of tea prices in the last quarter of the year.

OVERVIEW OF THE ECONOMY

The country experienced low tourism inflows due to travel advisories and severe drought in the 1st quarter of 2015. These factors led to a weaker shilling and better tea prices respectively, resulting to higher earnings for smallholder tea farmers.

At the macro level, the economy was impacted by increased inflation and lower interest rates. The shilling weakened in 2014/15 compared to 2013/14 which was largely attributed to pressure on government spending, low tourism inflows and reduced horticulture exports. This ensured that tea continued to be the number one foreign exchange earner for the country. KTDA teas contributed approximately 58% of total tea production in the country with the balance coming from private tea estates.

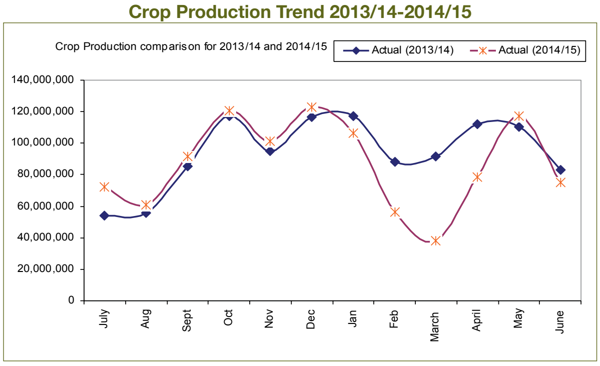
GROUP'S FINANCIAL PERFOMANCE

I am happy to report that all the Companies were able to turn in some profits, which in turn contributed to the overall dividend payout. The dividend proposed is 514.5 million compared to last year of Kshs 531.7 million. The decline was caused by reduced profitability due to exchange losses registered on foreign currency loan obligations and reduced profit margins on the trading subsidiaries.

KTDA MANAGED TEA FACTORY COMPANIES

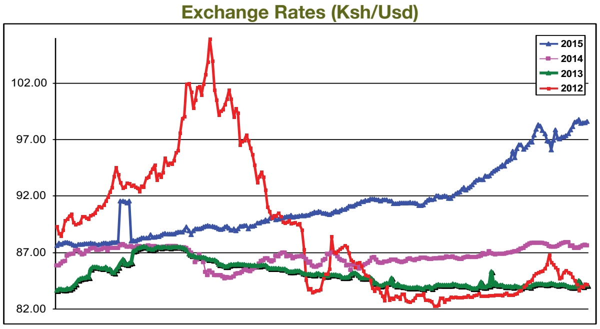
In the year under review tea production decreased from 1130 million Kgs of green leaf in 2013-2014 to 1040 million Kgs in 2014-2015 a decrease of 8%.

Crop Production Trend 2013/14-2014/15



Made tea prices in US Dollars increased from USD 2.41 to USD 2.60 per Kg over the two years ended 30th June 2014 and 2015 respectively an increase of 8%. The Kenya shilling conversion yielded an increase of 14.4% due to weakening of the shilling. The Kenya Shilling depreciated against the US Dollar and other major international currencies, reaching a rate of Kshs 98 to the Dollar from Kshs 87 in the previous year. This positively impacted on the overall tea revenues in Kenya Shillings terms.

Exchange Rates (Ksh/Usd)



Climate change continues to affect our production in an unpredictable manner. We experienced severe drought in the second half of the financial year, manifesting itself in erratic rainfall, hail, frost and drought. We will continue our efforts to conserve the environment in order to mitigate negative impact of climate change.

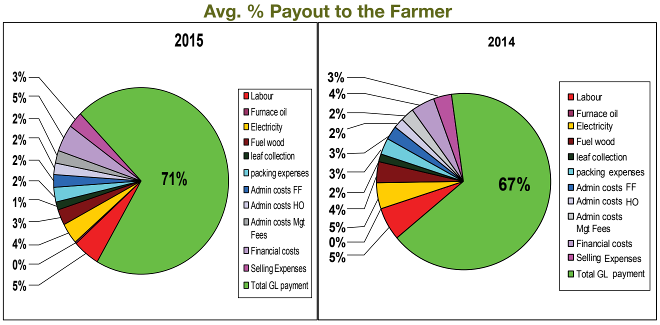
The cost of production has continued to escalate due to high fuel, electricity, labour, administrative, financing and transport costs. The company will continue to direct its efforts to cost containment measures.

The key costs of labour and energy will significantly change as more automation and mechanization are done and investment in small hydro projects is completed.

The total payment to farmers increased from Kshs 35.54 billion last year to Kshs 43.25 billion and the average payout per kilo increased from Kshs 31.61 per Kg green leaf last year to Kshs 41.61 per Kg green leaf this financial year. This was due to improved tea prices and favourable exchange rates.

The proportionate payment to our farmers increased to 71% of the gross revenues earned on average, with 29% going to operational, administration, financial and other costs. In the previous year, other costs accounted for 33% of revenues.

Avg. % Payout to the Farmer



Last year, I reported that KTDA was in the process of establishing a central workshop undertake machinery production and assembly. I am happy to report that this business has now began and has made good inroads in tea machinery fabrication, Agency contracts and is venturing into machinery production going forward.

Conveyor belts built by TEMEC installed in a factory

Arising from the continued increase in energy costs, the shareholders have previously approved investments in small hydro power projects. Such an investment will not only reduce the electricity cost but will also provide an additional revenue stream for the shareholders. The small hydro projects being undertaken across the country include, Gura, Chania, Metumi, Iraru, Kipsonoi, Nyabunde, Lower Nyamindi, South Mara, Chemosit and Rupingazi. Other projects being considered include Tindinyo and Nyamasege.

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

Complete canal at Gura SHP

The now five (5) year old Greenland Fedha Microfinance Company continues to serve the farmers' needs for access to affordable credit. The company has served the customers well and continues to explore various ways of financing its growth. The future for this business will change significantly upon conversion into deposit taking. The Board will continue to address the significant challenge of financing the company in order to meet customer's needs for cash.

I also informed you last year that the International Finance Corporation, a member of the World Bank Group, extended a loan of Ksh1 billion to KTDA to build a 200,000 square feet warehouse in Mombasa, through its subsidiary, Chai Trading Company Ltd. Although 2 of the warehouses were planned to be completed in 2014/15, there was a delay caused by difficult ground conditions when it rained and all the 3 warehouses are now planned for completion in 2015/16 financial year.

The new warehouse will increase Chai Trading Company's capacity to store more tea from KTDA's 66 factories while reducing reliance on hired warehouses. Optimization of the warehouses through racking is also being undertaken.

Racking at Miritini Warehouses

Our investment in Family Bank Limited remains worthwhile and the Board will continue to work with Family Bank Board in order to create synergy and unlock more value for the shareholders.

All these diversification initiatives are an endeavour to enhance shareholder value and will be sustained. The diversification initiatives are meant to establish more revenue opportunities for the shareholders through dividend payments over and above tea sales earnings. My Board will spend more time in 2015/16 in getting the initiatives more anchored for enhanced value creation and risk mitigation.

New challenges continue to emerge and devolution of certain aspects of Agriculture requires us to engage the County Governments to ensure cooperation for enhanced value creation to our shareholders.

KTDA remains a farmers' organization that is attentive to farmers' needs. Lessons learned from the challenges of 2013/14 will remain useful as we endeavour to do the best for the benefit of our shareholders.

I appreciate the support given by our Board of Directors, management and staff. The factory boards and factory staff remain valuable to our performance and as KTDA's interface with our farmers.

I would like to express my sincere appreciation to all for the support and request for the same into the future.

PETER T. KANYAGO, MBS, EBS
CHAIRMAN

ESTEEMED SHAREHOLDERS

The group turnover increased from Kshs14.2 billion in the last financial year to Kshs18.3 billion this year an increase of 29%. The profit before tax remained more or less at the same level at Kshs2.08 billion compared to Kshs2.02 billion last year.

The significant increase in turnover was achieved through high tea trading activities boosted by higher tea prices.

The group companies continue to perform as follows:-

KTDA MANAGEMENT SERVICES LTD

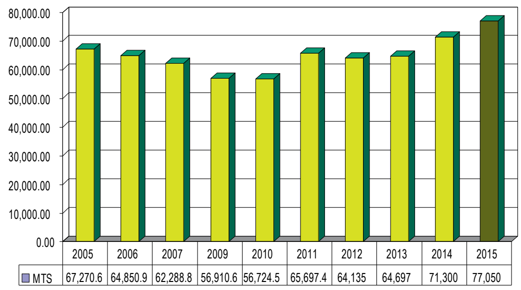
KTDA Management Services continued to offer services to our 66 managed factories in Kenya. We have continued the expansion and modernization programmes in our existing factories and construction of new satellite units to reduce green leaf wastage.

Construction of Boito Tea Factory in Bomet County is at advanced stages while Motigo Tea Factory in the same County is at the initial stages of construction. Other satellite factories for Tombe, Nyansiongo, Sanganyi, Kapkatet, Kapkoros and Mogogosiek are at various planning stages.

The contract to manage the two factories in Rwanda was mutually terminated after the investors developed their own structure in Rwanda to manage the factories.

The Company continues to manage the Fertilizer Credit Scheme where fertilizer is sourced for the farmers internationally at very competitive prices. This has attracted other firms in Kenya and Rwanda who wish to be included in the scheme to benefit from better prices. Regular application of fertilizer together with support by our field service teams continue to ensure that the quality and quantity of our teas remain high.

Fertilizer imports mt



	2005	2006	2007	2009	2010	2011	2012	2013	2014	2015
MTS	67,270.6	64,850.9	62,288.8	56,910.6	56,724.5	65,697.4	64,135	64,697	71,300	77,050

In its endeavour to continue the mechanization of processes at the factories, the company has adopted the implementation of weighbridges to improve leaf collection services. The first units are under installation.

The Company is in the process of adopting a newly introduced continuous withering technology for implementation in our factories. This will have a significant impact in reducing withering operational costs and ultimately the cost of production. KTDA has embraced the Rainforest Alliance certification and so far all the tea factories countrywide have been certified.

"Our focus will continue to be on **diversifying** and **growing revenues** through our **value chain** in order to **enhance shareholder value**."

Lerionka S. Tiampati - Group CEO

We have for many years embraced the Fairtrade concept and we are proud that 17 of our factories are Fairtrade certified and have managed to meet the stringent requirements for re-certification over the years. The communities around these factories have benefited through development of many social amenities, including classrooms, health clinics and maintenance of access roads, among others.

In addition, we have created an internal team to oversee the construction of wetland effluent treatment works and ensure all factories are compliant to EMCA 1999, with respect to the release of effluent to the environment.

The second phase of the KTDA Sustainable Agriculture Project under implementation between KTDA, Unilever and the Dutch Sustainable Trade Initiative (IDH) is ongoing. This is meant to support and embed good agricultural practices on the farms. This is to be rolled out in all the 3,200 leaf collection centres in the 2016 financial year. A total of 2,316 buying centres have implemented the program.

All the companies including the new factories are now on the fibre network connection that is contributing positively to information flow.

The newly adopted continuous withering and automated roller sharpening technologies are additional steps in the continuing automation of factory processes towards reduction in cost of production and ensuring consistency of the product.

We have also embarked on the use of environmentally friendly and cost effective biomass briquettes as a source of energy for the factories.

KTDA (MS) continues to encourage factories to set up farm management services to assist farmers manage their farms better for greater productivity.

CHAI TRADING COMPANY LIMITED

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

The company's performance improved both in turnover and profitability. The company registered a 47% growth in revenue from Kshs 8.2 Billion to Kshs 12.0 Billion mainly due to increased volume and value of tea traded.

The company recorded a Profit Before Tax of Ksh 636 Million which is a growth of 13.6% compared to the previous year (2013/14: Ksh 560M). The increase is however lower than the comparative increase in turnover due to reduced margins.

The management of Chai Trading Company Limited maintains a positive outlook across all its strategic business units going forward. The new 5-year Strategic Plan covering the period 2014-2019 is under execution and the company is well on target.

Growth in warehousing of tea and non-tea business as well as blending operations remains the key focus of the Freight Division. Extra capacity is now being addressed by availing additional space through the racking system in the existing warehouses and construction of new warehouses that will create extra capacity of nearly 300,000 sq. ft. Optimization of available warehouse space by both internal and external customers will remain the focus.

The Dubai Office continues to target market growth in the Middle East, Russia and CIS markets.

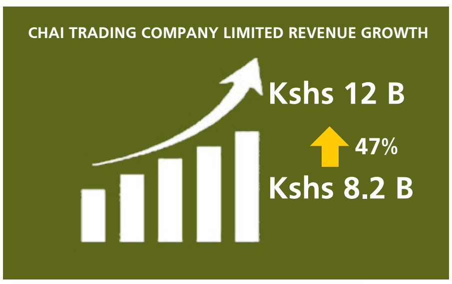
Iran a key market remains under international sanctions that are hampering tea trade. The Dubai office is now profitable and is hoping to improve its performance after trade sanctions in Iran are lifted.

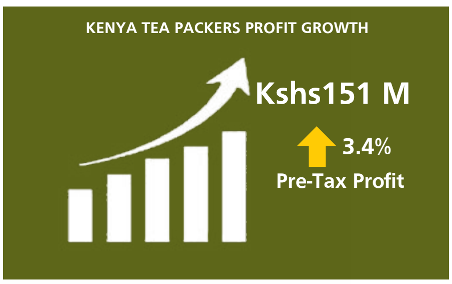
Going forward, risk management associated with the huge business growth and creation of more opportunities within warehousing will remain the key focus.

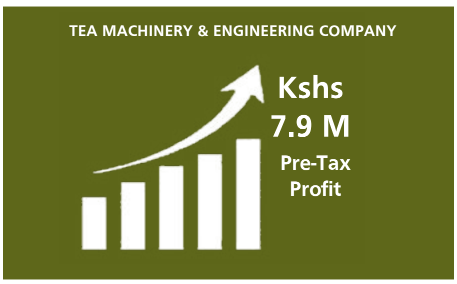
KENYA TEA PACKERS LIMITED

The company has continued to be profitable inspite of significant competition in the local market.

The Financial results for the year ended 30th June 2015 shows a flat growth in turnover recording Kshs2.4 Billion which is similar to the level achieved the previous year. The company made a pre-tax profit of Ksh. 151 Million a growth of 3.4% compared to last financial year.







Sales volumes for both Black Tea and Maisha water delivered modest growth.

The company will continue to focus its efforts in growing both market share and brand margins. The flavoured teas introduced last year: Fruits of the Forest, Caramel and Cinnamon continue to receive favourable uptake in the market. Competition in the local market especially from Factory Door Sales remains the biggest challenge and the management is increasing focus on the export market in order to continue growing sales.

KTDA Group CEO, Lerionka Tiampati (2nd right) and FMO Enterpreneural Development Bank Chief Executive Mr Nanno Kleiterp (middle) at the signing of a Kshs 911 million credit facility that will be extended to growers, through Greenland Fedha.

MAJANI INSURANCE BROKERS

Majani Insurance Brokers Ltd registered 15% growth in commission income to Kshs 158m up from Kshs 138m. This was out of written premiums of Kshs 1.275 Billion up from Kshs 1.125 Billion written the previous year. Total operating income was Kshs 228m compared to Kshs 237m the previous year.

The reduction was due to reduced interest and rental incomes. Profit before tax was Kshs 129.6 million, down from Ksh 150.7million the previous year.

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

The company also contributes to social and economic empowerment of our farmers through sports sponsorships and employment of youths throughout the tea belt. In order to ease service delivery and reach, MIB has opened customer service centres in all tea factories in addition to branches in Kericho, Karatina and Mombasa.

GREENLAND FEDHA LIMITED

Greenland Fedha Limited, a non deposit taking Microfinance Company, recorded revenues of Ksh 379 million and a Profit before Tax of Ksh 32 million. The company disbursed Kshs 1.658 Billion to 88,150 farmers compared to Kshs 1.802 Billion disbursed to 69,923 farmers the previous year.

The company remains constrained by the rising costs of finance for onward lending to farmers, and also the decline in global tea prices that limited the customers borrowing ability.

The company rolled out a mobile banking initiative in July 2014 that will enable customers to access low value loans of between of Ksh 500 to Ksh 5,000 using their phones from the comfort of their houses and this has progressed well.

The company continues to create employment opportunities for the youth that have seen growth in number of employees from 5 staff in 2009 to 98 staff in June 2015.

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

Management is also cognizant of enhanced risks associated with running a financial institution and will remain focussed on the associated risk mitigation.

TEA MACHINERY & ENGINEERING COMPANY

As an initiative to diversify revenue streams, KTDA Holdings also established Tea Machinery and Engineering Company (TEMEC) that manufactures tea processing machinery, equipment and parts for use by the tea factories. The initiative will ensure factories use standard machinery and use quality equipment and spares. The objective is to reduce cost of production and improve the quality of tea.

The company earned revenue of Kshs100.4.million and a profit before tax of Kshs 7.9 million in the period under review. Factories are encouraged to support this company not only due to reduced cost of machinery and spares, but also as a key driver towards industrialization of our country.

KTDA POWER COMPANY

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

Towards this end, construction of Gura and Chania small hydro projects are nearly complete while construction of Metumi, Iraru, Lower Nyamindi and South Mara have started. The other projects of Chemosit, Nyabunde, Kipsonoi and Rupingazi are at the detailed planning stages.

INFORMATION COMMUNICATION & TECHNOLOGY

The growth in both size and diversified businesses has constantly added pressure on the group to identify a robust Enterprise

Resource Planning system to manage the growing business. We have since identified SAP ERP and consultants are already on site implementing this solution. The ERP is expected to make our business processes efficient, decision making faster and real time reporting possible, which is important for any organization of our size in the global market.

The piloting of EWS phase II has been going on in Makomboki and Chebut Tea Factories and are expected to encompass new functionalities like smart card, mobile money, automated weighbridge and real time reporting along the tea value chain.

We continue to partner with global technology firms like IBM, CISCO, Siemens and Safaricom, in areas that have value to our processes including integration with the MPESA payment platform, a famous innovation worldwide.

Other information and technology projects that are in progress include electronic data management (EDMS), Communication mobility (Tablets), EWS phase two and Automated Fleet Management (AFMS).

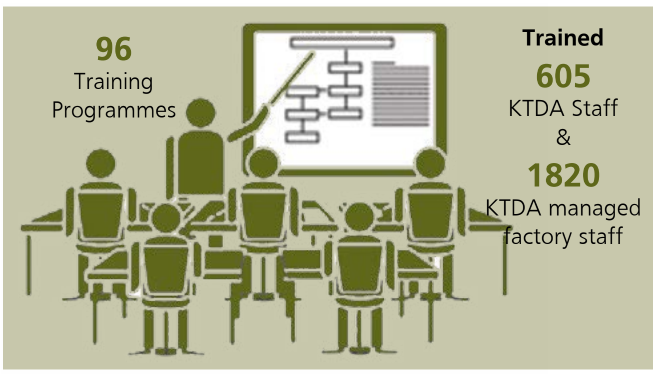
HUMAN RESOURCE REPORT

Talent Management and Recruitment

A great part of 2014/15 was focused on managing the existing staff talent and new recruitment particularly in the subsidiaries. We believe nurturing talent will be the determining factor in our ability to succeed in business. Employee's retention rate was high and our attrition levels remained low at 5%.

Training staff development

We continue to lay emphasis on developing our employees across the Group by conducting needs-based training programmes.



During the year, a total of 96 training programmes involving 605 KTDA staff and 1820 KTDA managed factory staff were undertaken.

We continue to improve our management system not only to enhance staff productivity but also to provide linkages between performance and reward. As the business continues to grow we will provide opportunities for our employees to develop, both individually and as part of the team.

KTDA FOUNDATION

KTDA working through the KTDA Foundation sees sustainability as a way to deepen relationships with our farmers, clients and partners throughout the tea value chain. Under it's four Pillars: Education, Environmental Sustainability, Health and Capacity Enhancement for Economic Empowerment, the KTDA Foundation continues to deliver Corporate Social Responsibility Projects for the benefit of KTDA's small-holder farmers.

Guided by its four core values of Commitment to partnerships, Empowerment, Respect for the environment, Transparency and integrity, the KTDA Foundation in the 2014/2015 Financial year carried out a number of programs.

Education

In January 2015, the Foundation increased the number of students receiving 4 year secondary school scholarships by 88 bringing the total number of sponsored students to 240. In August of 2015, The Foundation hosted the scholarship students for a week of mentorship where they received counselling in academic and pysho-social issues.

The Foundation in partnership with ZENSHO- a Japanese tea buying company, built a community library in Kangaita that is the first of it's kind in Kirinyaga County. The library will be accessible to students and community members from the Factory catchment area and beyond.

In Partnership with Taylors of Harrogate- a U.K Tea buying company, the Foundation renovated a building in Gitugi to house a library for use by that community. The Foundation continues to scout for community projects and donors to support their implementation throughout our tea catchment areas.

Books for both community libraries have been donated by the

KTDA Foundation-sponsored students thank their sponsors – KTDA and partners – during the closure of a five-day mentorship workshop held in Nairobi. A total of 240 students from tea growing zones have been sponsored to pursue their studies in various secondary schools across the country.

International Book Project, a U.S Charity and the Kenya Literature Bureau.

In addition to these, the Foundation also distributed school books in five primary schools, renovated a classroom and donated boarding resources to one home for children with special needs, impacting over 1,500 school children.

Environmental Sustainability

To mitigate against the negative impacts of climate change, the KTDA Foundation funded the establishment of 15 indigenous tree nurseries located in Theta, Makomboki, Githambo, Chinga, Kathangariri, Kimunye, Imenti,Weru, Litein Mogogosiek, Tombe, Rianyamwamu, Nyansiongo and Mudete. These nurseries are expected to yield 1.5 million indigenous seedlings to be planted in KTDA factories' tea catchment areas.

The Foundation remains committed to promoting responsible use of wood fuel in homes and to date has facilitated the installation of 171,075 energy saving cook-stoves, which are helping reduce the amounts of firewood used in farmers' kitchens.

This year the Foundation in partnership with Barefoot Power – a renewable energy company – ran a pilot solar lighting program that benefited 2,100 homes. This renewable energy project is assisting small-holder farmers not only save money previously used to purchase paraffin for lighting but also reduce the effects of smoke emitted by paraffin lamps, which in turn contributes to the better health of the farmers and their families.

Capacity Enhancement for Economic Empowerment:

The Foundation in November 2014 launched a financial literacy programme to train farmers on how to manage their income. Modules covered in the training included record keeping, savings, investment, wealth management and basic accounting. To date, 1,837 farmers have graduated from the programme which the Foundation plans to scale up to all KTDA-managed factories in the coming years.

INTERNATIONAL STANDARDS CERTIFICATIONS

The KTDA Group companies and managed factories continue to be re-certified on ISO 9001:2008 and ISO 22000 Food Safety Management in all Factories, Chai Trading Company and Ketepa. In the course of the next financial year, we shall embark on the process of certification to ISO 9001:2015, the new version of the standard.

STRATEGIC DIRECTION

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

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

KTDA Holdings' 16% shareholding in Family Bank Ltd has continued to generate good value through growth in balance sheet value and dividend incomes.

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

OUTLOOK

The year under review was indeed a success in light of the previous year's challenges. We are looking forward to addressing any challenges that come forth and are determined to do our best to continue managing our shareholder resources prudently. This we believe will improve returns to our shareholders and other stakeholders.

I wish to thank the Board, entire management and staff for their support during the year.

LERIONKA S. TIAMPATI, MBS
CHIEF EXECUTIVE OFFICER

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

Mr. Mbui holds a B.Com degree in Marketing from the University of Nairobi, a Marketing diploma, a Post-Graduate Degree from the University of South Africa and an MBA from New Port University. Prior to his appointment at CTCL, he was the GM Sales and Marketing at KTDA.
He has previously worked in senior management positions at Mastermind Tobacco Limited as General Manager – Uganda, Caltex Oil as Sales Manager and Pan African Insurance Company.

J. Mumbi Gitonga
General Manager, Majani Insurance Brokers Ltd

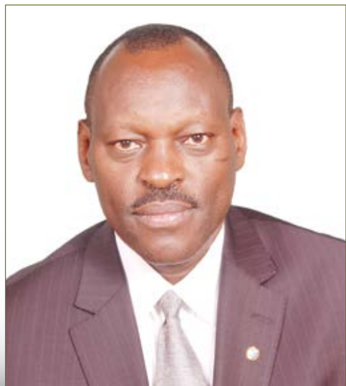
Ms. Gitonga holds a Bachelor of Commerce degree (Insurance Option) from the University of Nairobi and an MBA from IU/Copenhagen Business School. She is an Associate of the Insurance Institute Kenya (AIIK), Associate of the Chartered Insurance Institute, London (ACII) and a Chartered Insurer, UK.
Prior to her current assignment, she served as Marketing Manager, Claims Manager, Underwriting Manager and Reinsurance Officer in Madison and Heritage Insurance Companies, respectively.
She is a Board member of Bishop Gatimu Ngandu Girls High School.

Anne Gathuku
General Manager,
Greenland Fehda Limited

Ms. Gathuku holds a Bachelor of Commerce Degree in Business Administration and an MBA in Strategic Management, both from the University of Nairobi.
She has over 19 years' experience in microfinance operations and has previously worked at Faulu Kenya and K-Rep Development Agency as General Manager.
Ms. Gathuku serves in the Board of Directors of the Association of Microfinance Institutions in Kenya (AMFI-Kenya).

Collins Cheruiyot
Managing Director,
Ketepa Ltd.

Mr. Cheruiyot holds a Bachelor of Technology degree in Electrical Engineering and is a member of Engineers Registration Board.
Prior to this appointment he held the position of General Manager – Operations at KETEPA. He has a wealth of experience from his over 21 years in management, tea production and packaging.
Mr. Cheruiyot has previously held key positions in Unilever Tea (K) Ltd in manufacturing and engineering functions. He is currently the Chairman of the Kericho Water and Sanitation Company as well as East African Tea Packers association. He is a director of EATTA.



Lucas Maina
General Manager, KTDA Power Company Ltd.

Eng. Lucas G. Maina holds a Bachelor of Science Degree in Civil Engineering from the University of Nairobi.
He has over 28 years experience in planning, design and implementation of multi-disciplinary projects including water projects, buildings, roads and infrastructure peojects.
Prior to joining KTDA Power Company, he was Project Manager of all KTDA's infrastructure works.

Samson Miencha
General Manager, Tea Machinery and Engineering Company Limited (TEMEC)

Mr. Miencha holds a Bachelor of Arts Degree in Economics and Sociology from the University of Nairobi, and a postgraduate diploma in Supply Chain Management.
He is a member of the Chartered Institute of Supply Chain Management as well as an ISO certified Auditor.
He has worked in the government and the private sector in various capacities in supply chain management.
Mr. Miencha joined KTDA in 2002 as a Procurement Manager and rose to the position of Group Head of Procurement before appointment to his current position in 2014.

Paul Ndivo
Group General Manager
Human Resources & Administration

Albert Otochi
General Manager,
Sales & Marketing (MS)

Alfred Njagi
General Manager,
Operations (MS)

David N. Mbugua
General Manager – ICT

Lincoln Munyao
Group Head Risk Assurance and
Compliance

Brown Kanampiu
Group Head of
Procurement

Francis Miano
Group Head of
Technical Services

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

KTDA (Holdings) Board, Subsidiary Heads and Senior Management at the 2015 Strategy Retreat Meeting. The retreat is held annually to review KTDA's long-term business strategies and realign them to emerging micro- and macro-economic developments.

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

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

The Board has adopted the code of best practice for corporate governance issued by the Centre of Corporate Governance of Kenya (CGK) and is focused on ensuring compliance with the guidelines and principles of Corporate Governance. A code of conduct in pursuance of good Corporate Governance practices has been prepared for guidance of the Board and Employees in carrying out their responsibilities.

In the year under review, the entire Board and Senior management attended a course on good corporate practices "The effective director" facilitated by Strathmore Business School.

RESPONSIBILITIES

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

BOARD OF DIRECTORS

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

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

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

The composition of the Board is set out on Page 6. The KTDA [H] Board consists of twelve Non-Executive Directors, an independent director (in recognition of affirmative action enshrined in the Constitution of Kenya) and two Executive Directors - the Managing Director (CEO) & Finance & Strategy Director. The Board is chaired by a Non-Executive Director. All the Non-Executive Directors are independent of management and have a diverse range of expertise and experience. The roles of the Chairman and Managing Director are separate. The Chairman provides overall leadership to the Board without limiting the principles of collective responsibility for board decisions.

The Managing Director is responsible to the Board and takes responsibility for the effective and efficient management of the Group. The Board retains the overall responsibility for financial and operating decisions and for monitoring performance of senior management. The directors' responsibilities are set out in the statement of Directors Responsibilities on Page 27.

The Board meets every two months and has a formal schedule of matters reserved to it. Directors are required to disclose all areas of conflict of interest to the Board and are excluded from voting on such areas of conflict. The Board has access to the Company Secretary and independent professional advice in appropriate circumstances. The key functions of the board is the identification of current and future risks and to ensure that the necessary systems and controls are in place to enable such risks to be measured, controlled and effectively monitored. The Board approves annual business plans and budgets proposed by management; appoints the Managing Director who reports to the Board and ensures that succession is planned. It assesses the viability of the company as a going concern, considers and if appropriate recommends the payment of dividends to shareholders, approves the company's financial statements and is responsible for the integrity and reasonable presentation thereof.

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

BOARD COMMITTEES

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

The main committees of the Board are: Finance, Investment and Strategy, Staff and Remuneration, Risk Assurance & Governance.

MANAGEMENT COMMITTEES

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

INTERNAL CONTROLS

The directors acknowledge their responsibilities as set out on Page 27 for the Group's systems of internal financial controls, including taking reasonable steps to ensure that systems are being maintained. Internal control systems are designed to meet the particular needs of the Agency and the risks to which it is exposed with procedures intended to provide effective internal financial control. The board has reviewed the Agency's internal control policies and procedures and is satisfied that they are effective.

RISK MANAGEMENT

The Agency has identified risks that are inherent to the business, and has developed and implemented policies and guidelines to manage and mitigate such risks. These include currency risk,

Njoki Kahiga, Commissioner at the Kenya Law Reform Commission, presents a trophy to KTDA Company Secretary, Mr. Ken Omanga, during the 6th Champions of Governance Award Gala Night, Friday, November 6th 2015 at the Intercontinental Hotel, Nairobi. KTDA garnered 1st Runners-Up in the Statutory Bodies Sector Award. The event was aimed at recognising the best organizations that exhibit the highest standards of good governance practices.

operational risk and credit risk guideline. In order to facilitate the monitoring, and therefore compliance with above policies, the Agency has put in place comprehensive management information systems that identify adverse changes in the risk profiles.

Appropriate focus is given to the risks facing the Agency, Subsidiaries, Tea Factory Companies and financial instruments in the portfolio.

BUSINESS CONDUCT

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

PERFORMANCE REPORTING

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

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

REMUNERATION POLICY

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

SOCIAL RESPONSIBILITY STATEMENT

KTDA [H] recognizes its corporate social and environmental responsibilities and has established a KTDA Foundation. It is envisaged that the Foundation will cater for various programmes, which are premised on the need to conduct our business in a socially acceptable and sustainable manner while taking into account all the needs of stakeholders and the society at large. The KTDA Foundation will carries out CSR programmes in the key areas of Environment, Education, Health and Growers' Economic empowerment. The Foundation is committed to partnering with others who share similar objectives towards social development and empowerment of the broader community and caring for the environment through various corporate initiatives.

ETHICAL STANDARDS

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

ENVIRONMENT AND OCCUPATIONAL HEALTH AND SAFETY REPORT

Safety Stewardship

KTDA Holdings Ltd is deeply committed to the well-being of our employees and visitors. Our goal is to maintain an incident-free, secure and healthy work area for all. As a company, we take personal responsibility for safety and are committed to ensuring that we cause no harm to ourselves, our co-workers or the communities in which we operate. Conducting business in a safe, secure and environmentally responsible manner is our ethical responsibility and we comply with all applicable legal requirements and company policies and procedures. We believe that occupational safety management, and the continual improvement of our knowledge and practices in these areas contribute to our competitive strengths. We purpose to adhere to the principles and expectations of Responsible Care in our daily operations.

Social Responsibility

The company extends its health, safety, and environmental philosophy beyond the official workplace and seeks opportunities to advocate this philosophy to our growers and neighborhoods.
We will endeavor to make a positive impact in our farming communities through sound environmental social support by actively being involved in sustainable agriculture and environmental social services.

Environmental Obligations

It is our obligation and privilege to protect and preserve the environment. We strive for continuous improvement in environmental performance and measure our performance against our sector's top performing companies. KTDA, its managed tea factories and subsidiaries, endeavor to reduce any in-efficiencies caused by our operations by optimizing use of raw material, energy and water usage. We consider product safety and environmental impact issues of our products throughout the entire life cycle, including inception, manufacture, storage and shipping. The Agency is also responsive to the concerns of our stakeholders and actively seek participation by them in our programs. We continually search for innovative and sustainable ways to develop solutions that meet environmental and community needs that arise today and in future.

People and Development

The company's greatest asset is its people. We invest time, energy and money to ensure our employees have the necessary understanding, education, expertise and training to perform tasks in a safe and environmentally responsible manner. KTDA Ltd encourages our employees to perform at their optimal potential, empowering them to prevent accidents or incidents before they happen.

COMPREHENSIVE HIV/AIDS WORKPLACE PROGRAM

For the purpose of ensuring a uniform and fair approach to the effective prevention of HIV/Aids among employees, we continue to pursue implementation of the Workplace Policy through continuous training and awareness activities. Partners offering the support

Five major NGO partners have been involved in the implementation of the five-year HIV/Aids program, guided by the goals of the Kenya National HIV/AIDS Strategic Plan (KNASP 2005/6-2009/10), National HIV/AIDS Monitoring and Evaluation Framework and the Office of the President – HIV/AIDS Workplace Policy. Under these arrangements, run as part of the USAID funded AIDS Population Health Integrated Assistance (APHIA II) program, the NGO partners offer support for training and sensitization of employees while KTDA and the Factories provide time to employees and transport of staff where applicable.

The comprehensive workplace program involves prevention, care and support so that employees' and communities' ability to deal with HIV/Aids is improved. The objective is to enhance prevention measures against further infections and to ensure those living with HIV/Aids are provided adequate support and care.

APHIA II was implemented through lead partners covering Central, Eastern, Nyanza, Rift Valley and Nairobi regions. An enhancement of this program, known as APHIA Plus, was launched in March 2011 for a further five years.

ENVIRONMENTAL MANAGEMENT

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

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

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

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1. KTDA (Holdings) Chairman, Mr. Peter Kanyago, receives a trophy from His Excellency President Uhuru Kenyatta at the official opening of the Nairobi International Trade Fair, October 2nd, 2015. The trophy was awarded to KTDA for 1st prize - Best Stand Exhibiting Agricultural and/or Earth Moving Equipment category.

2. Ernst and Young Audit Manager, Eric Gicharu, presents a trophy to John Kanyago, KTDA's Senior Accountant - Management Accounts in recognition of Best Practices in Financial Reporting (Agriculture Category) during the Financial Reporting (FiRe) Awards Gala Night at Windsor Golf Hotel and Country Club, Nairobi on October 23rd, 2015.

3. Senior KTDA Staff display several awards won during the Energy Management Awards (EMA). The EMA is an award aimed at encouraging a culture of energy efficiency and conservation. It is awarded to enterprises that have demonstrated adherence to best practices in energy efficiency and which have contributed to reduction of harmful emissions to the environment that arise out of generation and use of energy

4. A farmer receiving a certificate after successfully undergoing "financial literacy" training at Mataara Tea Factory

5. Safaricom Chief Executive Officer, Mr Bob Collymore, buys a packet of tea at Kangaita Tea Factory Door Sales using "Lipa na M-pesa" payment system during the launch of "KTDA Goes Cashless" initiative. Looking on is KTDA Chief Executive Officer, Mr Lerionka Tiampati. KTDA has in the recent past adopted various innovative technologies such as fibre Internet and Electronic Weighing Solutions that are geared at enhancing the performance of the Agency. Technology at the Agency has been adopted in all departments including procurement and human resources and the attendant efficiency will result in benefits to farmers.

The directors submit their report together with the audited financial statements for the year ended 30 June 2015, in accordance with Section 157 of the Kenyan Companies Act, which discloses the state of affairs of Kenya Tea Development Agency Holdings Limited (the "Company") and its subsidiaries (together, the "Group").

PRINCIPAL ACTIVITIES

The principal activities of the Group are:

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

RESULTS AND DIVIDEND

The profit for the year of Shs 1,467,528,000 (2014: Shs 1,478,710,000) has been added to retained earnings. The directors recommend the approval of a final dividend of Shs 514,497,200 (2014: Shs 531,680,800).

DIRECTORS

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

AUDITOR

The Company's auditor, PricewaterhouseCoopers, continues in office in accordance with Section 159(2) of the Companies Act.

APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors.

By order of the Board

JOHN KENNEDY OMANGA
COMPANY SECRETARY
3/11/ 2015

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

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

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

The directors are of the opinion that the financial statements give a true and fair view of the financial position of the Group and Company at 30 June 2015 and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act.

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

Approved by the board of directors on 27th October 2015 and signed on its behalf by:

Director | Director

pwc

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

Report on the financial statements

We have audited the accompanying financial statements of Kenya Tea Development Agency Holdings Limited (the "Company") and its subsidiaries (together, the "Group"), as set out on pages 30 to 66. These financial statements comprise the consolidated statement of financial position at 30 June 2015, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, together with the statement of financial position of the Company standing alone as at 30 June 2015 and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company at 30 June 2015 and of the financial performance and cash flows of the Group for the year then ended in accordance with International Financial Reporting Standards and the Kenyan Companies Act.

PricewaterhouseCoopers CPA. PwC Tower, Waiyaki Way/Chiromo Road, Westlands
P O Box 43963 – 00100 Nairobi, Kenya
T: +254 (20)285 5000 F: +254 (20)285 5001 www.pwc.com/ke

Partners: A Eriksson K Muchiru M Mugasa F Muriu P Ngahu A Njeru R Njoroge B Okundi K Saiti R Shah

Report on other legal requirements

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

i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
ii) in our opinion proper books of account have been kept by the Company, so far as appears from our examination of those books; and
iii) the Company's statement of financial position and statement of comprehensive income are in agreement with the books of account.

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

Certified Public Accountants
Nairobi

5th November, 2015

	Notes	Year ended 30 June	
		2015 Shs'000	2014 Shs'000
Revenue	5	17,136,395	12,970,091
Loss arising from changes in fair value less costs to sell of biological assets	19	(32,139)	(16,101)
		17,104,256	12,953,990
Cost of sales		(13,002,167)	(9,428,878)
Gross profit		4,102,089	3,525,112
Other income	6	1,161,421	1,215,762
Distribution expenses		(306,490)	(268,079)
Operating expenses		(2,609,141)	(2,251,167)
Other expenses		(36,057)	(30,836)
Operating profit		2,311,822	2,190,792
Finance costs	7	(292,861)	(107,015)
Profit before income tax		2,018,961	2,083,777
Income tax expense	10	(534,659)	(591,996)
Profit for the year (of which Shs 1,298 million (2014 : Shs 1,104 million) has been dealt with in the accounts of the Company)		1,484,302	1,491,781
Attributable to:			
Equity holders of the Company		1,467,528	1,478,710
Non-controlling interest		16,774	13,071
Profit for the year		1,484,302	1,491,781

The notes on pages 37 to 66 are an integral part of these consolidated financial statements.

	Notes	Year ended 30 June	
		2015 Shs'000	2014 Shs'000
Profit for the year		1,484,302	1,491,781
Other comprehensive income:			
Items that will be subsequently reclassified to profit or loss			
Gains on revaluation of available-for-sale financial assets	23	1,776	1,550,822
Deferred tax charge on revaluation of available-for-sale financial assets	14	(533)	(465,246)
		1,243	1,085,576
Total comprehensive income for the year		1,485,545	2,577,357
Attributable to:			
Equity holders of the Company		1,468,830	2,564,436
Non-controlling interest		16,715	12,921
Total comprehensive income for the year		1,485,545	2,577,357

The notes on pages 37 to 66 are an integral part of these consolidated financial statements.

		As at	
	Notes	30 June 2015 Shs'000	30 June 2014 Shs'000
Capital and reserves attributable to the Company's equity holders			
Share capital	12	10,108	10,108
Other reserves	13	1,683,327	1,682,025
Proposed dividends	11	514,497	531,681
Retained earnings		10,591,594	9,638,563
		12,799,526	11,862,377
Non-controlling interest		182,151	172,755
Total equity		12,981,677	12,035,132
Non-current liabilities			
Deferred income tax liabilities	14	806,995	848,922
Borrowings	28	1,522,213	688,449
Finance lease obligations	31	119,480	130,712
Provisions for other liabilities and charges	30	73,931	49,829
Total non-current liabilities		2,522,619	1,717,912
Total equity and non-current liabilities		15,504,296	13,753,044
Represented by			
Non-current assets			
Property, plant and equipment	15 (a)	2,304,821	1,952,647
Investment property	16	2,982,021	2,616,297
Intangible assets	17	38,229	33,218
Prepaid operating lease	18	210	216
Biological assets	19	385,337	423,464
Non-current receivables and prepayments	21	388,728	388,352
Financial assets - available for sale	23	4,206,090	3,725,044
Deferred income tax assets	14	138,792	49,925
		10,444,228	9,189,163
Current assets			
Non-current asset held for sale	27	152,800	-
Inventories	22	1,852,243	1,738,835
Financial assets - available for sale	23	98,517	103,981
Equity investments at fair value through profit or loss	24	64,848	51,148
Current income tax		34,119	68,237
Receivables and prepayments	25	5,772,485	4,906,316
Cash and cash equivalents	26	3,984,537	3,125,729
		11,959,549	9,994,246
Current liabilities			
Borrowings	28	270,630	725,884
Bank overdrafts	28	835,519	699,961
Payables and accrued expenses	29	5,669,093	3,958,651
Finance lease obligations	31	35,188	29,332
Current income tax		89,051	16,537
		6,899,481	5,430,365
Net current assets		5,060,068	4,563,881
		15,504,296	13,753,044

The financial statements on pages 30 to 66 were approved for issue by the board of directors on 27th October 2015 and signed on its behalf by:

Director

Director

	Notes	As at 30 June 2015 Shs'000	30 June 2014 Shs'000
Capital and reserves			
Share capital	12	10,108	10,108
Other reserves	13	1,670,763	1,670,763
Proposed dividends	11	514,497	531,681
Retained earnings		7,965,274	7,181,296
Shareholders' funds		10,160,642	9,393,848
Non-current liabilities			
Provisions for other liabilities and charges	30	28,488	17,838
Deferred income tax	14	770,620	792,938
Borrowings	28	591,837	630,914
		1,390,945	1,441,690
Equity and non-current liabilities		11,551,587	10,835,538
REPRESENTED BY			
Non-current assets			
Property, plant and equipment	15(b)	1,011,553	656,198
Investment property	16	3,695,800	3,346,297
Intangible assets	17	7,931	9,737
Biological assets	19	385,337	423,464
Investment in subsidiaries	20	1,146,118	969,322
Non-current receivables and prepayments	21	382,495	382,194
Financial assets - available for sale	23	4,206,090	3,725,044
		10,835,324	9,512,256
Current assets			
Non-current asset held for sale	27	152,800	-
Inventories	22	7,551	6,921
Financial assets - available for sale	23	-	-
Receivables and prepayments	25	1,413,930	1,801,956
Current Income tax		-	27,873
Cash and cash equivalents	26	2,199,295	1,867,371
		3,773,576	3,704,121
Current liabilities			
Borrowings	28	118,367	210,305
Payables and accrued expenses	29	2,935,126	2,170,534
Current income tax		3,820	-
		3,057,313	2,380,839
Net current assets		716,263	1,323,282
NET ASSETS		11,551,587	10,835,538

The financial statements on pages 30 to 66 were approved for issue by the board of directors on 27th October 2015 and signed on its behalf by:

Director **Director**

	Notes	Share capital Shs'000	Other reserves Shs'000	Retained earnings Shs'000	Proposed dividends Sh'000	Non-controlling interest Shs'000	Total equity Shs'000
Year ended 30 June 2014							
At start of year		10,108	596,299	8,691,534	622,653	165,933	10,086,527
Total comprehensive income for the year							
Profit for the year		-	-	1,478,710	-	13,071	1,491,781
Other comprehensive income:							
Fair value gain on available-for-sale financial assets		-	1,551,037	-		(215)	1,550,822
Deferred income tax on fair value gain on available-for-sale financial assets	14	-	(465,311)	-	-	65	(465,246)
Total other comprehensive income		-	1,085,726	-	-	(150)	1,085,576
Total comprehensive income for the year		-	1,085,726	1,478,710	-	12,921	2,577,357
Transactions with owners, recorded directly in equity							
Distributions to owners							
Dividends:							
- Final for 2013 - paid		-	-	-	(622,653)	(6,099)	(628,752)
- Final for 2014 - proposed	11	-	-	(531,681)	531,681	-	-
Distributions to owners		-	-	(531,681)	(90,972)	(6,099)	(628,752)
At end of year		10,108	1,682,025	9,638,563	531,681	172,755	12,035,132

	Notes	Share capital Shs'000	Other reserves Shs'000	Retained earnings Shs'000	Proposed dividends Sh'000	Non-controlling interest Shs'000	Total equity Shs'000
Year ended 30 June 2015							
At start of year		10,108	1,682,025	9,638,563	531,681	172,755	12,035,132
Total comprehensive income for the year							
Profit for the year				1,467,528		16,774	1,484,302
Other comprehensive income:							
Fair value gain on available-for-sale financial assets			1,860			(84)	1,776
Deferred income tax on fair value gain on available-for-sale financial assets	14		(558)			25	(533)
Total other comprehensive income			1,302			(59)	1,243
Total comprehensive income for the year			1,302	1,467,528		16,715	1,485,585
Transactions with owners, recorded directly in equity							
Distributions to owners							
Dividends:							
- Final for 2014- paid					(531,681)	(7,319)	(539,000)
- Final for 2015- proposed	11			(514,497)	514,497		
Distributions to owners				(514,497)	(17,184)	(7,319)	(539,000)
At end of year		10,108	1,683,327	10,591,594	514,497	182,151	12,981,677

The notes on pages 37 to 66 are an integral part of these consolidated financial statements.

Company statement of changes in equity

	Notes	Share capital Shs'000	Other reserves Shs'000	Retained earnings Shs'000	Proposed dividends Sh'000	Total equity Shs'000
Year ended 30 June 2014						
At start of year		10,108	589,605	6,608,932	622,653	7,831,298
Total comprehensive income for the year						
Profit for the year		-	-	1,104,045	-	1,104,045
Other comprehensive income:						
Fair value gain on available-for-sale financial assets		-	1,544,512	-	-	1,544,512
Deferred income tax on fair value gain on available-for-sale financial assets	14	-	(463,354)	-	-	(463,354)
Total other comprehensive income		-	1,081,158	-	-	1,081,158
Total comprehensive income for the year		-	1,081,158	1,104,045	-	2,185,203
Transactions with owners, recorded directly in equity						
Distributions to owners						
Dividends:						
- Final for 2013 – paid	11	-	-	-	(622,653)	(622,653)
- Final for 2014 – proposed	11	-	-	(531,681)	531,681	-
Distributions to owners		-	-	(531,681)	(90,972)	(622,653)
At end of year		10,108	1,670,763	7,181,296	531,681	9,393,848

	Notes	Share capital Shs'000	Other reserves Shs'000	Retained earnings Shs'000	Proposed dividends Sh'000	Total equity Shs'000
Year ended 30 June 2015						
At start of year		10,108	1,670,763	7,181,296	531,681	9,393,848
Total comprehensive income for the year						
Profit for the year				1,298,475	-	1,298,475
Other comprehensive income:						
Fair value gain on available-for-sale financial assets			-			-
Deferred income tax on fair value gain on available-for-sale financial assets	14		-			-
Total other comprehensive income			-			-
Total comprehensive income for the year			-	1,298,475		1,298,475
Transactions with owners, recorded directly in equity						
Distributions to owners						
Dividends:						
- Final for 2014 – paid		-	-	-	(531,681)	(531,681)
- Final for 2015 – proposed	11	-	-	(514,497)	514,497	-
Distributions to owners				(514,497)	(17,184)	(531,681)
At end of year		10,108	1,670,763	7,965,274	514,497	10,160,642

The notes on pages 37 to 66 are an integral part of these consolidated financial statements.

	Notes	For the year ended 30 June 2015 Shs'000	2014 Shs'000
Operating activities			
Cash generated from operations	32	2,505,993	1,178,982
Interest received	6	280,153	221,067
Interest paid	7	(155,336)	(87,027)
Income tax paid		(559,355)	(765,775)
Net cash generated from operations		2,071,455	547,247
Investing activities			
Purchase of financial assets Available for sale	23	(553,822)	(121,962)
Purchase of financial assets Fair Value through profit and loss	24	(8,573)	-
-Proceeds from sale of financial assets Available for sale	23	80,016	225,192
Proceeds from sale of trees		5,988	-
Purchase of property, plant and equipment	15	(575,792)	(803,825)
Purchase of investment property	16	(222,765)	(195,201)
Purchase of intangible assets	17	(21,562)	(15,216)
Proceeds from disposal of property, plant and equipment		17,962	24,182
Proceeds from disposal of investment property		-	12,032
Dividend received		96,209	34,636
Proceeds from bank deposits		-	990,038
Net cash (used in)/generated from investing activities		(1,182,339)	149,876
Financing activities			
Proceeds from borrowings		378,510	305,805
Dividend paid		(539,000)	(628,752)
Finance lease received		18,903	147,173
Finance lease payments		(24,279)	(6,148)
Net cash generated used in financing activities		(165,866)	(181,922)
Net increase in cash and cash equivalents		723,250	515,201
At start of year cash, cash equivalents and bank overdrafts at beginning of year		2,425,768	1,910,567
Movement in restricted cash		(484,382)	-
Cash and cash equivalents at end of year	26	2,664,636	2,425,768

The notes on pages 37 to 66 are an integral part of these consolidated financial statements.

1 General information

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

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

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

2 Summary of significant accounting policies

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

(a) Basis of preparation

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

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

Changes in accounting policy and disclosures

i) New and amended standards adopted by the Group

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 July 2014 and have a material impact on the Group:

Amendment to IAS 32, 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the Group's financial statements.

Amendments to IAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 July 2014 are not material to the Group.

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

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 July 2014, and have not been applied in preparing these financial statement. None of these is expected to have a significant effect on the financial statements of the Group, except the following set out below:

IFRS 9: Financial Instruments (effective for financial periods beginning on/after 1 January 2018)

- In November 2009 the IASB issued IFRS 9 (2009), the first milestone in the project to replace IAS 39. This standard required the classification and measurement of financial assets into only two categories: amortised cost, and fair value through profit or loss ('FVPL').
- In October 2010 the IASB published the updated IFRS 9 (2010), Financial instruments, to include guidance on financial liabilities and derecognition of financial instruments, and in particular the requirement to present changes in own credit risk on liabilities at fair value in other comprehensive income ('OCI').
- In March 2013, the IASB issued an exposure draft (ED) on limited amendments to IFRS 9 (2010), to address specific application questions raised by interested parties as well as to try and reduce differences with the FASB. However, the FASB tentatively decided that it would not continue to pursue a classification and measurement model similar to the IASB. As a consequence, the FASB's classification and measurement project is expected to result in few changes to current US GAAP.
- In November 2013, the IASB published the final hedging requirements excluding macro hedging.
- In July 2014, the IASB published the new and complete version of IFRS 9 (hereafter 'IFRS 9' or 'the new standard'), which includes the new hedge accounting, impairment and classification and measurement requirements.

Amendment to IFRS 11 – Accounting for acquisitions of interests in joint operations (effective for financial periods beginning on/after 1 January 2016) – Early application is permitted. - IFRS 11 addresses the accounting for interests in joint ventures and joint operations. The amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.

Amendment to IAS 16 and IAS 38 – Clarification of acceptable methods of depreciation and amortisation (effective for financial periods beginning on/after 1 January 2016) – Early application is permitted. – IAS 16 and IAS 38 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

IFRS 15 - Revenue from contracts with customers (effective for financial periods beginning on/after 1 January 2018) – Early application is permitted. The core principle of the new revenue recognition standard is that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. The most significant changes that flow from that principle are:

- any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements
- revenue may be recognised earlier than under current standards if the consideration varies for any reasons (such as for incentives, rebates, performance fees, royalties, success of an outcome etc.) – minimum amounts must be recognised if they are not at significant risk of reversal
- the point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may now be recognised over the contract term and vice versa.
- IFRS 15 was intended to become effective on 1 January 2017. On 22 July 2015, the IASB confirmed the deferral of the effective date of IFRS 15 to 1 January 2018.

Management is yet to assess the impact of this standard to the Group.

Amendments to IAS 16 and IAS 41 – Accounting for bearer plants (effective for financial periods beginning on/after 1 January 2016) – Early application is permitted. Prior to the 2014 amendments, all biological assets were in the scope of IAS 41 and measured at fair value less costs to sell. Bearer plants will now be accounted for differently to all other biological assets. The amendments distinguish bearer plants from other biological assets as bearer plants are solely used to grow produce over their productive lives. Bearer plants are seen as similar to an item of machinery in a manufacturing process and therefore will be classified as PP&E and accounted for under IAS 16.

Amendment to IAS 16 and IAS 38 – Clarification of acceptable methods of depreciation and amortisation (effective for financial periods beginning on/after 1 January 2016) – Early application is permitted. – IAS 16 and IAS 38 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

Amendment to IAS 27: Equity method in separate financial statements (effective retrospectively for financial periods beginning on/after 1 January 2016) – Early application is permitted.
The IASB has amended IAS 27, 'Separate financial statements', to restore the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. An entity can now account for investments in subsidiaries, joint ventures and associates in its separate financial statements:

a) at cost; or
b) in accordance with IFRS 9; or
c) using the equity method as described in IAS 28.

Amendment to IAS 1: Disclosure initiative (the amendments are effective for annual periods beginning on or after 1 January 2016. The transition provisions state that the disclosures in paragraphs 28-30 of IAS 8, that is, those regarding adoption of a new standard/policy are not required. Early application is permitted). This amendment aims to clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. The amendments form a part of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved.

(b) Consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

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

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of profit or loss.

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

(ii) Transactions and non-controlling interests

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

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(c) Functional currency and translation of foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

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

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

(d) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax (VAT), returns, rebates and discounts and after eliminating sales within the Group.

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

Revenue is recognised as follows:

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

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

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

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

(e) Property, plant and equipment

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

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

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

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

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

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

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

(f) Investment property

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

(g) Intangible assets

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

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

(h) Impairment of non-financial assets

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

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

(i) Financial assets

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

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

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

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

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

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

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

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

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

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

(j) Impairment of financial assets

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

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

The Group first assesses whether objective evidence of impairment exists

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

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

Assets classified as available-for-sale

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

(k) Accounting for leases

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

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

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

(l) Inventories

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

(m) Receivables

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

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

(n) Payables

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

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

(o) Share capital

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

(p) Cash and cash equivalents

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

(q) Bank deposits

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

(r) Employee benefits

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

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

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

(ii) Gratuity
The Group pays a gratuity to management staff on contract. The gratuity is paid at the end of the contract period at the rate of 25% of total basic salary over the contract period. An accrual is made for gratuity based on the rate of 25%.
Service gratuity is provided in the financial statements as it accrues to each employee for Chai Trading and Kenya Tea Packers Limited. A provision is made for the estimated liability for such entitlements as a result of services rendered by employees up to the financial reporting date.

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

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

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

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

Past-service costs are recognised immediately in income.

(iii) Other entitlements

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

(iv) Termination benefits

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

(s) Current and deferred income tax

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

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

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

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

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

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

(t) Borrowings

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

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

(u) Borrowing costs

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

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

(v) Dividends

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

(w) Biological assets

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

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

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

(x) Provisions

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

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

3 Critical accounting estimates and judgements

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

(i) Critical accounting estimates and assumptions

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

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

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

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

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

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

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

Receivables
Critical estimates are made by the management in determining the recoverable amount of impaired receivables.
Useful lives of property, plant and equipment
Critical estimates are made by the management in determining

depreciation rates for equipment and motor vehicles. The rates used are set out in Note 2 (e) above.

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

In the process of applying the Group's accounting policies, management has made judgements in determining:

- the classification of financial assets and leases
- whether land and buildings meet the criteria to be classified as investment property
- whether assets are impaired.

4 Financial risk management objectives and policies

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

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

Market risk

(i) Foreign exchange risk
The Group purchases and sells made tea and imports packaging and other materials in US dollars and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions, and recognised assets and liabilities.
Currency exposure arising from liabilities denominated in foreign currencies is managed primarily through the holding of bank balances in the relevant foreign currencies.

At 30 June 2015, if the Shilling had weakened/strengthened by 10% against the US dollar with all other variables held constant, consolidated post tax profit for the year would have been Shs 60,733,000 (2014: Shs 65,731,000) higher/lower, mainly as a result of US dollar receivables, borrowings and bank balances.

(ii) Price risk
The Group is exposed to equity securities price risk because of investments in quoted shares classified either as available-for-sale or at fair value through profit or loss. To manage its price risk arising from investments in equity and debt securities, the Group diversifies its portfolio, in accordance with limits set by the board. All quoted shares held by the Group are traded on the Nairobi Stock Exchange (NSE).
At 30 June 2015, if the NSE Index had increased/decreased by 10% with all other variables held constant and all the Group's equity instruments moved according to the historical correlation to the index, consolidated post tax profit for the year would have been Shs 6,119,000 higher/lower (2014: Shs 288,800), and equity would have been Shs 420,409,914. higher/lower (2014: Shs 376,725,500).

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

At 30 June 2015, an increase/decrease of 100 basis points in interest rates would have resulted in an decrease/increase in consolidated pre tax profit of Shs 3,297,000 (2014: Shs 1,140,000).

Credit risk
Credit risk is managed by the finance departments of the Group companies. Credit risk arises from Government securities, corporate bonds, deposits held with banks, loans and advances as well as trade and other receivables. Neither the Group nor the Company has any significant concentrations of credit risk. The finance departments of the Group companies assess the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal ratings and utilisation of credit limits is regularly monitored.
The amount that best represents the Group's and Company's maximum exposure to credit risk at 30 June 2015 is as per the statement of financial position.

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

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

The ageing analysis of these trade receivables is as follows:

	Group		Company	
	2015 Shs'000	2014 Shs'000	2015 Shs'000	2014 Shs'000
Past due but not impaired:				
by up to 30 days	517,801	114,210	1,485	17,594
by more than 30 days	212,466	1,109,055	12,161	69,453
by more than 60 days	288,372	-	-	-
	1,018,639	1,223,265	13,646	87,047
Impaired	437,598	378,353	227,489	227,489

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

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

The table below analyses the Group's and the Company's financial liabilities that will be settled on a net basis into relevant maturity Groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Group		Company	
	Less than 1 year Shs'000	More than 1 year Shs'000	Less than 1 year Shs'000	More than 1 year Shs'000
At 30 June 2015:				
- bank overdraft and borrowings	1,147,729	1,586,907	123,398	616,990
- finance lease obligations	35,188	119,480	-	-
- payables and accrued expenses	5,669,093	-	2,935,126	-
	6,852,010	1,706,387	3,058,524	616,990
At 30 June 2014:				
- bank overdraft and borrowings	1,425,845	688,449	210,305	630,914
- finance lease obligations	29,332	130,712	-	-
- payables and accrued expenses	3,958,651	-	2,170,534	-
	5,413,828	819,161	2,380,839	630,914

Capital management

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

Fair value estimation

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

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

The following table presents the Group's assets and liabilities that are measured at fair value at 30 June 2015.

Group	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Total balance Shs'000
Assets as at 30 June 2015				
Financial assets at fair value through profit or loss	64,848	-	-	64,848
Available-for-sale financial assets				
– Government debt investments	-	91,326	-	91,326
– Corporate debt	-	7,191	-	7,191
– Unquoted shares	-	4,199,681	6,409	4,206,090
Total assets	64,848	4,298,198	6,409	4,369,455
Assets as at 30 June 2014				
Financial assets at fair value through profit or loss	51,148	-	-	51,148
Available-for-sale financial assets				
– Government debt investments	-	87,314	-	87,314
– Corporate debt	-	16,667	-	16,667
– Unquoted shares	-	3,718,635	6,409	3,725,044
Total assets	51,148	3,822,616	6,409	3,880,173

Company	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Total balance Shs'000
Assets as at 30 June 2015				
Available-for-sale financial assets				
– Unquoted shares	-	4,199,681	6,409	4,206,090
Assets as at 30 June 2014				
Available-for-sale financial assets				
– Equity securities	-	3,718,635	6,409	3,725,044

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

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

Specific valuation techniques used to value financial instruments include:

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

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. Level 3 investments are shares in tea factory companies in Kangaita and Kagochi. The cost approximates the fair value and there was no movement in the year.

5 Analysis of revenue by category

	Group	
	2015 Shs'000	**2014 Shs'000**
Sales of goods	13,691,673	10,083,534
Revenue from services	3,444,722	2,886,557
	17,136,395	12,970,091

6 Other income

	Group	
	2015 Shs'000	**2014 Shs'000**
Rent income	93,952	96,956
Interest income on deposits	280,153	221,067
Gains on revaluation of financial assets at fair value through profit or loss	5,127	(1,324)
Fair value gain on investment property (Note 16)	298,055	290,736
Orthodox tea sales	-	101,541
Corporate guarantee income	72,107	69,254
Profit /(loss) on sale of PPE	15,818	(10,679)
Profit on sale of investment property	-	8,528
Kagochi and Kangaita farms green leaf sales income	94,163	58,546
Technical consultancy income	76,507	214,226
Dividend income	96,209	34,636
Others	129,330	132,275
	1,161,421	1,215,762

7 Finance costs

Interest expense on borrowings and bank overdrafts	155,336	87,027
Net foreign exchange loss on translation of borrowings	137,525	19,988
	292,861	107,015

8 Profit before income tax

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

	Group	
	2015 Shs'000	2014 Shs'000
Depreciation on property, plant and equipment (Note 15)	223,771	209,701
Amortisation of intangible assets (Note 17)	16,551	23,286
Operating lease rentals expensed (Note 18)	6	6
Investment property:		
- rental income	(93,952)	(96,956)
- operating expenses	33,301	34,913
- fair value gains (Note 16)	(298,055)	(290,736)
Losses (gains) arising from the change in fair value less costs to sell of biological assets (Note 19)	32,139	16,101
Receivables – provision for impairment losses (Note 25)	62,956	51,046
Employee benefits expense (Note 9)	1,691,605	1,421,205
Auditors' remuneration	10,585	9,790

9 Employee benefits expense

	Group	
	2015 Shs'000	2014 Shs'000
The following items are included within employee benefits expense:		
Salaries and wages	1,506,468	1,239,802
Retirement benefits costs:		
- Defined contribution scheme	105,873	91,031
- National Social Security Fund	3,564	3,814
Other staff costs	75,700	86,558
	1,691,605	1,421,205

10 Income tax expense

	2015 Shs'000	2014 Shs'000
Current income tax	665,986	572,152
Deferred income tax (Note 14)	(131,327)	2,570
Prior year under provision in current income tax	-	17,274
Income tax expense	534,659	591,996

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

	2015 Shs'000	2014 Shs'000
Profit before income tax	2,018,961	2,083,777
Tax calculated at statutory tax rate - 30% (2014 - 30%)	605,688	625,133
Tax effect of:		
Income not subject to tax	(95,928)	(117,987)
Expenses not deductible for tax purposes	24,899	67,576
Under provision of current income tax in prior years	-	17,274
Income tax expense	534,659	591,996

11 Dividends per share

At the annual general meeting to be held on 3 December 2015, a final dividend in respect of the year ended 30 June 2015 of Shs 1,018 per share (2014 Shs 1,052 per share), amounting to a total of Shs 514,497,200 (2014: Shs 531,680,800) is to be proposed.

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

12 Share capital

	Number of shares	Ordinary shares Shs'000
Balance at 1 July 2013, 30 June 2014 and 30 June 2015	505,400	10,108

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

13 Other reserves

	Group		Company	
	2015 Shs'000	2014 Shs'000	2015 Shs'000	2014 Shs'000
Fair value reserve – available - for - sale investments	1,683,327	1,682,025	1,670,763	1,670,763

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

14 Deferred income tax

Deferred income tax is calculated using the enacted income tax rate of 30% (2014: 30%). The movement on the deferred income tax account is as follows:

	Group		Company	
	2015 Shs'000	2014 Shs'000	2015 Shs'000	2014 Shs'000
At start of year	798,997	331,181	792,938	309,214
(Credit)/charge to income statement (Note 10)	(131,327)	2,570	(22,318)	20,370
Charge to equity	533	465,246	-	463,354
At end of year	668,203	798,997	770,620	792,938
Analysed as follows:				
Deferred income tax liabilities	806,995	848,922	770,620	792,938
Deferred income tax assets	(138,792)	(49,925)	-	-
At end of year	668,203	798,997	770,620	792,938

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

2015 (Group)	**At 1 July 2014 Shs'000**	**Charge /(credit) to profit/loss Shs'000**	**Charge to OCI Shs'000**	**At 30 June 2015 Shs'000**
Accelerated capital allowances	99,605	27,485	-	127,090
Unrealised exchange gain	(4,306)	(37,894)	-	(42,200)
Provisions and reserves	73,876	(128,527)	-	(54,651)
Other temporary differences	629,822	7,609	533	637,964
	798,997	(131,327)	533	668,203

2014 (Group)	**At 1 July 2013 Shs'000**	**Charge /(credit) to profit/loss Shs'000**	**Charge to OCI Shs'000**	**At 30 June 2014 Shs'000**
Accelerated capital allowances	57,126	42,479	-	99,605
Unrealised exchange gain	(6,867)	2,561	-	(4,306)
Provisions and reserves	(25,733)	99,609	-	73,876
Other temporary differences	306,655	(142,079)	465,246	629,822
	331,181	2,570	465,246	798,997

Company deferred income tax assets are attributable to the following items:

Deferred income tax liability (Company)	**2015 Shs'000**	**2014 Shs'000**
Accelerated capital allowances	22,377	14,864
Provisions and reserves	30,637	147,175
Other deductible temporary differences	717,606	630,899
	770,620	792,938

15 Property, plant and equipment

a) Group	Buildings & freehold land	Plant & machinery	Vehicles & equipment	Work in progress	Total
Year ended 30 June 2014	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
At 1 July 2013					
Cost	978,221	803,227	993,699	48,984	2,824,131
Accumulated depreciation	(221,363)	(446,524)	(779,981)	-	(1,447,868)
Net book amount	756,858	356,703	213,718	48,984	1,376,263
Additions	7,304	197,283	160,881	438,357	803,825
Transfers from work in progress	86,403	4,248	-	(90,651)	-
Transfers of investment property	(969)	-	-	-	(969)
Disposals	(11,012)	(9,600)	(10,683)	(1,620)	(32,915)
Depreciation charge	(27,406)	(93,770)	(88,525)	-	(209,701)
Depreciation on disposals	3,151	2,377	10,616	-	16,144
	814,329	457,241	286,007	395,070	1,952,647
At 30 June 2014					
Cost	1,059,947	995,158	1,143,897	395,070	3,594,072
Accumulated depreciation	(245,618)	(537,917)	(857,890)	-	(1,641,425)
Net book amount	814,329	457,241	286,007	395,070	1,952,647

a) Group	Buildings & freehold land	Plant & machinery	Vehicles & equipment	Work in progress	Total
Year ended 30 June 2015	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
At 1 July 2014					
Cost	1,059,947	995,158	1,143,897	395,070	3,594,072
Accumulated depreciation	(245,618)	(537,917)	(857,890)	-	(1,641,425)
Net book amount	814,329	457,241	286,007	395,070	1,952,647
Additions	16,227	60,988	53,682	444,895	575,792
Transfers from investment property	2,297	-	-	-	2,297
Disposals	-	(2,876)	(44,485)	-	(47,361)
Depreciation charge	(29,180)	(124,935)	(69,656)	-	(223,771)
Depreciation on disposals	-	2,876	42,341	-	45,217
	803,673	393,294	267,889	839,965	2,304,821
At 30 June 2015					
Cost	1,078,471	1,053,270	1,153,094	839,965	4,124,800
Accumulated depreciation	(274,798)	(659,976)	(885,205)	-	(1,819,979)
Net book amount	803,673	393,294	267,889	839,965	2,304,821

b) Company

Year ended 30 June 2014	Buildings & freehold land Shs'000	Plant & machinery Shs'000	Vehicles & equipment Shs'000	Work in progress Shs'000	Total Shs'000
At 1 July 2013					
Cost	166,167	319,890	144,884	54,914	685,855
Accumulated depreciation	(31,029)	(280,650)	(109,836)	-	(421,515)
Net book amount	135,138	39,240	35,048	54,914	264,340
Additions	140	3,974	-	424,108	428,222
Transfers to investment property	(969)	-	-	-	(969)
Disposals	-	(1,038)	(10,618)	-	(11,656)
Depreciation charge	(4,182)	(11,702)	(18,909)	-	(34,793)
Adjustments	-	(490)	-	-	(490)
Transfer from work-in-progress	86,403	4,248	-	(90,651)	-
Depreciation on disposal	-	979	10,565	-	11,544
	216,530	35,211	16,086	388,371	656,198
At 30 June 2014					
Cost	251,741	326,584	133,447	388,371	1,100,143
Accumulated depreciation	(35,211)	(291,373)	(117,361)	-	(443,945)
Net book amount	216,530	35,211	16,086	388,371	656,198

Year ended 30 June 2015	Buildings & freehold land Shs'000	Plant & machinery Shs'000	Vehicles & equipment Shs'000	Work in progress Shs'000	Total Shs'000
At 1 July 2014					
Cost	251,741	326,584	133,447	388,371	1,100,143
Accumulated depreciation	(35,211)	(291,373)	(117,361)	-	(443,945)
Net book amount	216,530	35,211	16,086	388,371	656,198
Additions	7,341	4,077	7,550	450,260	469,228
Transfers to investment property	2,297	-	-	-	2,297
Disposals	(87,349)	-	(17,150)	-	(104,499)
Depreciation charge	(3,835)	(11,136)	(13,747)	-	(28,718)
Depreciation on disposal	-	-	17,047	-	17,047
	134,984	28,152	9,786	838,631	1,011,553
At 30 June 2015					
Cost	174,030	330,661	123,847	838,631	1,467,169
Accumulated depreciation	(39,046)	(302,509)	(114,061)	-	(455,616)
Net book amount	134,984	28,152	9,786	838,631	1,011,553

16 Investment property

	Group		Company	
	2015 Shs'000	**2014 Shs'000**	**2015 Shs'000**	**2014 Shs'000**
At start of year	2,616,297	2,150,860	3,346,297	2,809,060
Additions	222,765	195,261	196,960	199,897
Fair value gains	298,055	290,736	307,639	357,900
Transfer from PPE	(2,296)	-	(2,296)	-
Disposals	-	(20,560)	-	(20,560)
Reclassification to asset held for sale	(152,800)	-	(152,800)	-
At end of year	2,982,021	2,616,297	3,695,800	3,346,297

The investment properties were valued by Gimco Limited and Ebony Estates Ltd, who are independent valuers, on 30 June 2015 and 30 June 2014 respectively.

The following represents the fair value measurements as at 30 June 2015:

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

2014	**Level 1 Shs'000**	**Level 2 Shs'000**	**Level 3 Shs'000**	**Total Shs'000**
Group				
- Investment property	-	2,616,297	-	2,616,297
Company				
- Investment property	-	3,346,297	-	3,346,297

There were no transfers between any levels during the year.

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

17 Intangible assets

	Computer software licenses	
	Group	Company
	Shs'000	Shs'000
At 1 July 2013		
Cost	111,318	31,017
Accumulated amortisation and impairment	(70,030)	(24,392)
Net book value	41,288	6,625
Year ended 30 June 2014		
Opening net book amount	41,288	6,625
Additions	15,216	5,964
Amortisation	(23,286)	(2,852)
Net book amount	33,218	9,737
At 1 July 2014		
Cost	126,534	36,981
Accumulated amortisation and impairment	(93,316)	(27,244)
Net book value	33,218	9,737
Year ended 30 June 2015		
Opening net book amount	33,218	9,737
Additions	21,562	2,777
Amortisation	(16,551)	(4,583)
Closing Net book amount	38,229	7,931
At 30 June 2015		
Cost	148,096	39,758
Accumulated amortisation and impairment	(109,867)	(31,827)
Closing net book amount	38,229	7,931

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

18 Prepaid operating lease rentals – Group

	2015 Shs'000	2014 Shs'000
Cost		
At start and end of year	418	418
Amortisation		
At start of the year	202	196
Charge for the year	6	6
At end of the year	208	202
Net book value		
At start of year	216	222
At end of year	210	216

19 Biological assets (Group and Company)

	Tea bushes Shs'000	Tree plantation Shs'000	Total Shs'000
Year ended 30 June 2014			
At start of year	317,556	122,009	439,565
Gains arising from changes in fair value less cost to sell	4,658	(20,759)	(16,101)
At end of year	322,214	101,250	423,464
Year ended 30 June 2015			
At start of year	322,214	101,250	423,464
Gains/(losses) arising from changes in fair value less cost to sell	(31,569)	(570)	(32,139)
Sale of trees	-	(5,988)	(5,988)
At end of year	290,645	94,692	385,337

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

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

2014	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Total Shs'000
Tea bushes				
- Mature	-	-	309,403	309,403
- Immature	-	-	12,811	12,811
Tree plantation				
- Mature	-	-	101,250	101,250

There were no transfers between any levels during the year.

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

Description	Fair value as at 30 June 2015	Valuation technique	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
		Discounted cash flows	Discounted rate	19.50%	The higher the discount rate, the lower the fair value
Tea bushes	290,645		Tea prices	USD1.80 to USD3.50 per Kg	The higher the tea prices the higher the fair value
Tree plantation	94,692	Discounted cash flows	Population	31,564 per acreage	The higher the tree per acreage, the higher the fair value

Description	Fair value as at 30 June 2014	Valuation technique	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Tea bushes	322,214	Discounted cash flows	Discounted rate	19.42%	The higher the discount rate, the lower the fair value
			Tea prices	USD 1.80 to USD 3.50 per kg	The higher the tea price, the higher the fair value
Tree plantation	101,250	Discounted cash flows	Population	33,750 per acreage	The higher the trees per acreage, the higher the fair value

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

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

The discount rate applied to expected net cash flows was 19.50% per annum in respect of both tea bushes and tree plantations (2014: 19.42% and 19.67% respectively) . The Group has 181.43 hectares of mature tea bushes and 0.76 hectares of immature tea bushes located at Kangaita and Kagochi tea farms in Kerugoya and Karatina respectively. A total of 1,797,857.40 Kgs (2014: 1,963,984 Kgs) of green leaf was produced in the year with a fair value less estimated costs to sell of Shs 59.30 million (2014: Shs 43 million).

The gum trees plantation occupies 28.34 hectares of land in Kangaita Farm. It has a total of 31,564 eucalyptus trees (2014: 33,750 trees) aged between nine and eleven years. The projected value at the time of harvest in 2015 is Shs 95 million (2014: Shs 101 million).

20 Investment in subsidiaries (at cost)

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

	Company % interest held	Cost 2015 Shs'000	Cost 2014 Shs'000
Kenya Tea Packers Limited	83.3%	395,318	395,318
Majani Insurance Brokers Limited	100%	5,200	5,200
Chai Trading Company Limited	100%	325,000	325,000
Tea Machinery and Engineering Co Limited	100%	250,000	73,204
Greenland Fedha Limited	100%	160,000	160,000
KTDA Power Company Limited	100%	10,100	10,100
KTDA Management Services Limited	100%	500	500
KTDA Foundation	100%	-	-
		1,146,118	969,322

The consolidated financial statements include the financial statements of all subsidiaries companies prepared to the end of the financial year including Tea Machinery and Engineering Co Limited which started operations in June 2014. KTDA Foundation is a company limited by guarantee. Therefore, no investment has been made in the Foundation

The movement in the year is as summarised below:

	2015 Shs'000	2014 Shs'000
At start of year	969,322	896,118
Additions	176,796	73,204
At end of year	1,146,118	969,322

In 2014 the group invested in Tea Machinery and Engineering Co Limited (a wholly owned subsidiary).

21 Non-current receivables and prepayments

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

	Group		Company	
	2015 Shs'000	2014 Shs'000	2015 Shs'000	2014 Shs'000
Loans to staff	31,935	32,072	20,485	21,652
Less: loans receivable within 1 year (Note 25)	(14,447)	(14,960)	(9,230)	(10,698)
	17,488	17,112	11,255	10,954
Advances to KTDA Power (Note 33 (v))	-	-	371,240	371,240
Advances to regional power companies	371,240	371,240	-	-
	388,728	388,352	382,495	382,194

22 Inventories

	Group		Company	
	2015 Shs'000	2014 Shs'000	2015 Shs'000	2014 Shs'000
Tea stocks	1,560,714	1,482,532	-	-
Stationery, spares and other consumables	274,626	249,382	-	-
Other stocks	16,903	6,921	7,551	6,921
	1,852,243	1,738,835	7,551	6,921

The cost of inventories recognised as an expense and included in the 'cost of sales' amounted to Shs 11.5 billion (2014: Shs 7.8 billion).

23 Financial assets – available for sale

	Group		Company	
	2015 Shs'000	2014 Shs'000	2015 Shs'000	2014 Shs'000
Current				
Treasury bonds	91,326	87,314	-	-
Corporate debt	7,191	16,667	-	-
	98,517	103,981	-	-
Non-current				
Unquoted equity shares	4,206,090	3,725,044	4,206,090	3,725,044
	4,304,607	3,829,025	4,206,090	3,725,044

The unquoted equity shares include an investment in Family Bank Limited shares. There was no fair value gain or loss for the year ended 30 June 2015. In addition, there is an investment by KTDA of Shs 6,409,000 in tea factory companies in Kangaita and Kagochi.

The movement in investments is as follows:

	Group		Company	
	2015 Shs'000	2014 Shs'000	2015 Shs'000	2014 Shs'000
At start of year	3,829,025	2,381,433	3,725,044	2,295,286
Additions	553,822	121,962	481,046	40,408
Disposals	(80,016)	(225,192)	-	(155,162)
Fair value gains	1,776	1,550,822	-	1,544,512
	4,304,607	3,829,025	4,206,090	3,725,044

24 Equity investments at fair value through profit or loss

The movement in investments is as follows:

	Group	
	2015 Shs'000	2014 Shs'000
At start of year	51,148	48,295
Additions	8,573	4,177
Disposals	-	-
Fair value gains /(losses)	5,127	(1,324)
At end of year	64,848	51,148

25 Receivables and prepayments

	Group		Company	
	2015 Shs'000	2014 Shs'000	2015 Shs'000	2014 Shs'000
Trade receivables	2,920,975	1,725,736	238,270	251,388
Less: Provision for impairment losses	(437,598)	(378,353)	(227,489)	(227,489)
Net trade receivables	2,483,377	1,347,383	10,781	23,899
Loans and advances(Greenland Fedha)	1,661,553	1,830,944	-	-
Less: provisions for impairment losses	(26,291)	(28,663)	-	-
Amounts due from related parties (Note 33(v))	1,301,983	1,484,146	1,335,240	1,697,490
Staff loans (Note 21)	14,447	14,960	9,230	10,698
Other receivables	236,457	158,542	43,188	58,320
Prepayments	100,959	99,004	15,491	11,549
	5,772,485	4,906,316	1,413,930	1,801,956

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

	Group		Company	
	2015 Shs'000	2014 Shs'000	2015 Shs'000	2014 Shs'000
At start of year	378,353	327,307	227,489	227,489
Provision in the year	89,911	55,786	-	-
Unused amounts reversed	(26,955)	(4,740)	-	-
Prior year recoveries	(3,711)	-	-	-
At end of year	437,598	378,353	227,489	227,489

The carrying value of receivables approximates their fair values.

26 Cash and cash equivalents

	Group		Company	
	2015 Shs'000	2014 Shs'000	2015 Shs'000	2014 Shs'000
Cash at bank and in hand	874,945	430,277	9,992	65,639
Short term bank deposits	3,109,592	2,695,452	2,189,303	1,801,732
	3,984,537	3,125,729	2,199,295	1,867,371

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

	Group		Company	
	2015 Shs'000	2014 Shs'000	2015 Shs'000	2014 Shs'000
Cash and bank balances as above	3,984,537	3,125,729	2,199,295	1,867,371
Bank overdrafts (Note 28)	(835,519)	(699,961)	-	-
Restricted cash	(484,382)	-	(484,382)	-
	2,664,636	2,425,768	1,714,913	1,867,371

Included in the cash and cash equivalents balances is an amount of Shs 484 million deposit held in Imperial Bank Kenya. On 13 October 2015, the Bank was placed under receivership by the Governor of the Central Bank and it is uncertain when depositors will be able to withdraw their deposits. These funds are therefore not available for immediate use by the Group and have been treated as restricted cash. At the time of approving these financial statements, it is unclear what the financial position of Imperial Bank is and if there is any risk of recovery of the balances.

27 Non-Current Asset held for sale

The Group intend to sell Nyali cottages based in Mombasa .The cottages were valued by Gimco Limited.

	Group		Company	
	2015 Shs'000	2014 Shs'000	2015 Shs'000	2014 Shs'000
Non-current Asset held for sale	152,800	-	152,800	-

28 Borrowings

	Group		Company	
Non-Current	2015 Shs'000	2014 Shs'000	2015 Shs'000	2014 Shs'000
Bank borrowings	1,522,213	688,449	591,837	630,914

	Group		Company	
Current	2015 Shs'000	2014 Shs'000	2015 Shs'000	2014 Shs'000
Bank borrowings	270,630	725,884	118,367	210,305
Bank overdraft	835,519	699,961	-	-
	1,106,149	1,425,845	118,367	210,305

The Group has overdraft facilities up to a limit of USD 14.5 million (2014: USD 14.5 million).
The carrying amount of the bank overdraft approximates to the fair value. The effective interest rate at the year end was 3.6% (2014: 3.6%). The facilities are annual facilities subject to review on the following dates:

- CfC Stanbic Bank - 1 July 2015
- Citi Bank - 1 January 2016

The overdraft limit was not exceeded without the lender's authority at any time during the year.
The Group has borrowing facilities with the following institutions:

i. Ecobank Kenya Limited comprising an asset finance facility of £21,750 at an annual rate of 4.294%. The facility is payable over a period of five years (2014: £21,750).
ii. Co-operative Bank comprising an asset finance facility of Shs 100,000,000 at an annual rate of 3% above the three months treasury bill rate subject to a floor rate of 8.748%. The facility is repayable over a period of four years (2014: Shs100 million).
iii. International Finance Corporation comprising of a loan of USD 7.2 Million (2014: USD 9.6 Million) at 4.25% above 6 months Libor. The facility is repayable over a period of five years.
iv. FMO loan of usd 10 Million at a rate of 4% to Greenland Fedha Ltd was procured in February 2015 and is repayable in 8 bi-annual instalments starting April 2016.

The first two bank facilities are secured by a charge over certain motor vehicles, while the third facility is guaranteed by KTDA Management services Limited and Chai Trading Company Limited.

29 Payables and accrued expenses

	Group		Company	
	2015 Shs'000	2014 Shs'000	2015 Shs'000	2014 Shs'000
Trade payables	550,192	483,128	8,174	-
Amounts due to related companies (Note 33(vi))	4,510,985	2,954,713	2,785,702	2,036,134
Accrued expenses and other payables	607,916	520,810	141,250	134,400
	5,669,093	3,958,651	2,935,126	2,170,534

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

30 Provision for other liabilities and charges

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

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

The obligations' balances at 30 June were as follows;

	Group		Company	
	2015 Shs'000	2014 Shs'000	2015 Shs'000	2014 Shs'000
Gratuity	73,931	49,829	28,488	17,838

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

	Group		Company	
	2015 Shs'000	2014 Shs'000	2015 Shs'000	2014 Shs'000
At start of year	49,829	57,507	17,838	34,155
Charge to income statement	38,172	26,110	16,514	16,706
Utilised during the year	(14,070)	(33,788)	(5,864)	(33,023)
At end of year	73,931	49,829	28,488	17,838

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

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

31 Finance lease obligations – Group

	2015 Shs'000	2014 Shs'000
Obligations due for settlement within 1 year	35,188	29,332
Obligations due for settlement within 2 to 5 years	119,480	130,712
	154,668	160,044
Movement in finance lease obligations		
At start of year	160,044	19,019
Finance lease received	18,903	147,173
Repayments	(24,279)	(6,148)
At end of year	154,668	160,044

This relates to asset based financing facility for KETEPA Ltd

32 Cash generated from operations - Group

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

	2015 Shs'000	2014 Shs'000
Profit before taxation	2,018,961	2,083,777
Adjustments for:		
Interest income (Note 6)	(280,153)	(221,067)
Interest expense (Note 7)	155,336	87,027
Depreciation on property, plant and equipment (Note 15)	223,771	209,701
Amortisation of intangible assets (Note 17)	16,551	23,286
Amortisation of prepaid lease rentals (Note 18)	6	6
Gain on disposal of property, plant and equipment (Note 6)	(15,818)	(10,679)
Loss/(gain) on disposal of investment property (Note 6)	-	8,528
Loss/(gain) arising from changes in fair value less costs to sell of biological assets	32,139	16,101
Dividend income	(96,209)	(34,636)
Gain on revaluation of investment properties (Note 16)	(298,055)	(290,736)
Unrealised loss/(gain) on financial instruments-FVPL (Notes 24)	(5,127)	1,324
Changes in working capital		
- Inventories	(113,408)	807,655
- Receivable and prepayments	(866,169)	(375,705)
- Payables and accrued expenses	1,710,442	(1,068,547)
- Provision for other liabilities and charges	24,102	(7,678)
- Non-current receivables	(376)	(49,375)
Cash generated from operations	2,505,993	1,178,982

33 Related party transactions

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

The following transactions were carried out with related parties:

	Group	
	2015 Shs'000	2014 Shs'000
i) Sale of goods and services		
Other related parties	3,627,063	2,989,040
ii) Purchase of goods and services		
Other related parties	5,089,736	4,699,311
iii) Key management compensation		
Salaries and other short-term employment benefits	249,479	226,013
iv) Directors' remuneration		
Fees for services as a director	3,675	3,750
Other emoluments – Non executive directors	33,737	38,283
Other emoluments – Executive directors	56,425	56,884
Total remuneration of directors of the Company	93,837	98,917

v) Amounts due from related parties

	Group		Company	
Current	**2015 Shs'000**	**2014 Shs'000**	**2015 Shs'000**	**2014 Shs'000**
KTDA managed tea factories	1,290,304	1,482,925	106,864	116,867
Majani Insurance Brokers Limited	-	-	48,698	6,178
Greenland Fedha Limited	-	-	910,787	1,130,578
Chai Trading Company Limited	-	-	37,429	15,450
KTDA Farmers Company Limited	10,527	-	10,527	4,959
KTDA Management Services Limited	-	-	148,519	354,385
Kenya Tea Growers Association	-	69	-	-
KTDA Power Company Limited	-	-	66,285	67,478
Kenya Tea Packers Limited	-	-	5,785	1,595
KTDA managed regional power companies	1,152	1,152	-	-
KTDA Foundation	-	-	346	-
	1,301,983	1,484,146	1,335,240	1,697,490

	Company	
Non Current	**2015 Shs'000**	**2014 Shs'000**
KTDA Power Company Limited	371,240	371,240

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

vi) Amounts due to related parties

	Group		Company	
	2015 Shs'000	2014 Shs'000	2015 Shs'000	2014 Shs'000
KTDA managed Tea factories	4,341,737	2,882,707	2,733,265	2,026,615
Majani Insurance Brokers Limited		-	-	7,430
Kenya Tea Growers Association	169,248	72,005	-	-
KTDA Foundation	-	-	-	2,089
KTDA managed regional power companies	-	1	-	-
Tea machinery and Engineering Co Ltd	-	-	52,437	-
	4,510,985	2,954,713	2,785,702	2,036,134

34 Contingent liabilities

At 30 June 2015, the Group counter guarantees on behalf of third parties and pending litigations amount to Shs 4,779,330,000 (2014: Shs 4,574,783,000). The loans on which these guarantees have been given are charged on the respective factory Company assets. It is not anticipated that any liability will arise from these guarantees.

	Group		Company	
	2015 Shs'000	2014 Shs'000	2015 Shs'000	2014 Shs'000
Guarantees	4,537,053	4,353,538	4,537,053	4,353,538
Claims on pending litigations	202,277	191,245	192,624	191,245
KRA claim	40,000	40,000	-	-
	4,779,330	4,574,783	4,729,677	4,534,783

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

Factory balances with Imperial Bank

The Group invests surplus cash on behalf of the factories. These balances are not included in the financial statements of Kenya Tea Development Agency Holdings Limited as they belong to the factories. As at 30 June 2015, Shs 2.41 billion has been invested on behalf of the factories in Imperial Bank. As explained in Note 26, Imperial Bank has subsequently been placed under Central Bank of Kenya administration.

Kericho Governor Case

In the financial year 2014/2015, KTDA and its subsidiaries were enjoined in an industry wide case which was brought against them by the Governor of Kericho. The directors are of the opinion that the success of this case is remote.

35 Commitments

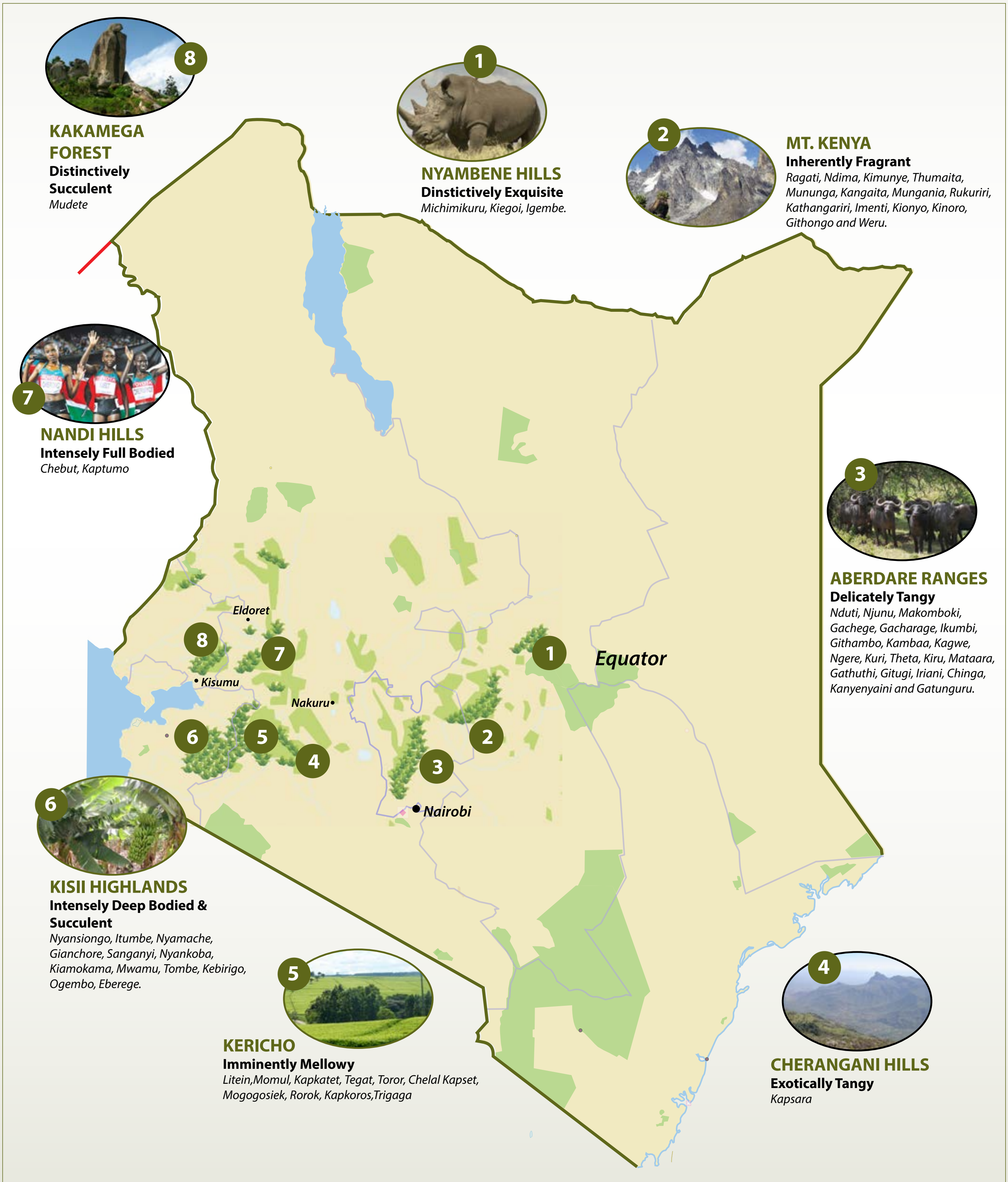
Capital commitments

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

	Group		Company	
	2015 Shs'000	2014 Shs'000	2015 Shs'000	2014 Shs'000
Authorised and contracted for	230,596	433,914	225,465	433,914
Authorised but not contracted for	591,707	1,091,296	494,796	1,015,228
	822,303	1,525,210	720,261	1,449,142

Geographic Tea Segmentation

The quality of Kenyan tea is in part determined by ecological and climatic factors such as types of soil, rainfall and humidity. The map below shows Kenya's tea growing regions and and the unique characteritics of teas from each region.



KTDA

KENYA TEA DEVELOPMENT AGENCY HOLDINGS LIMITED

KTDA Farmers Building, Moi Avenue, Box 30213 - 00100 Nairobi, Kenya
Telephone: +254 - 20 - 322 7000 E-mail: info@ktdateas.com

www.ktdateas.com @ktdatea Kenya Tea Development Agency Ltd