

## Chairman's Statement

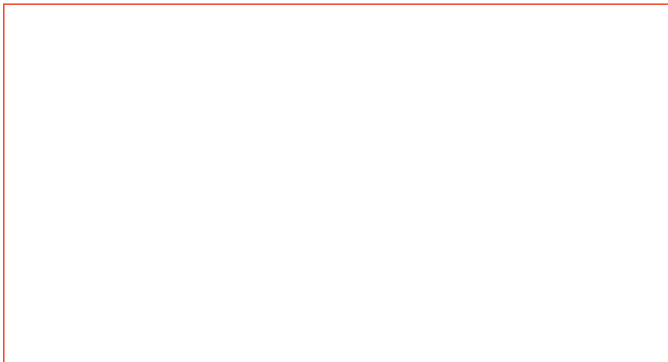


I am pleased to present the group's annual report and financial statements for the financial year that ended in 30th June 2013.

### Solid financial performance in a challenging year

Profit before tax was 29% higher than in the previous year, despite turnover being flat and unrealised foreign exchange losses having a negative impact (as opposed to the positive impact of foreign exchange gains of the prior year). Earnings per share increased from Shs.2.81 in 2012 to Shs.4.09 in 2013.

Given the operating results the board is pleased to recommend a first and final dividend of Shs. 0.75per share, the same level as last year. This is subject to shareholder approval at the Annual General Meeting to be held on 28th November 2013.



### Living our vision and our values

We attach great importance to living our vision, **"To be a respected world class agri-business, delivering satisfaction to our stakeholders with passion and commitment"**.

We work equally hard at living our values, of **Self-Responsibility, Trust, Respect, Integrity, Innovation, Continual Improvement** and **Teamwork**.

We continue to deliver high quality products in both our human foods and our animal health and nutrition businesses; the continued success of our flagship brands such as EXE®, Jogoo® and Fugo® is a clear testimony of this commitment to living our vision; and we have been modernising and expanding our milling and production facilities.



Improved margins are already being realised in the animal health and nutrition business, following the refurbishment of the Nairobi feeds plant; and additional wheat milling capacity is being commissioned at the Nairobi plant.

All this has been designed to satisfy the projected increase in demand for our high quality products – while also ensuring our ongoing financial sustainability.

The Group's philosophy of continual improvement has seen us strengthen our core business through a number of other ambitious initiatives. During the past year we have:

- **built on the previous year's adoption of the Hoshin Kanri tool**, a powerful component of our methodologies for continual improvement. The Hoshin Kanri discipline has been extraordinarily useful in enabling us to develop and deploy strategies that ensure our goals are aligned, and that we measure and manage our performance regularly and transparently throughout the organisation.
- **improved production efficiency and reduced costs**, not only through plant modernisation but thanks to the continued evolution and embedding of our lean manufacturing practices.



**PaTaMu Champions Award winners for 2013**

## Chairman's Statement (continued)

- **engaged and developed our staff**, with much ground work having been laid in identifying the needed skills and competencies for sustained high performance, at the shop floor and at the management level. We continue to develop our talent pool through targeted recruiting and internal job promotions and assignments.
- **strengthened our Corporate Social Responsibility programme**, to deliver deeper and more sustainable impact in the communities where we operate (as described further, later in the annual report).
- **purchased the entire minority shareholding in Unga Millers (U) Limited**, through our subsidiary, Unga Holdings Limited.

I wish to particularly emphasise the Group's commitment to enlightened forward thinking **talent management**. We take very seriously our philosophy of developing passionate and committed teams who strive to achieve stretch goals, and we fully expect that the benefits of such an approach accrue equally to employee and employer.

It is in these ways that we aspire to be **world class**, adopting global best practices from within and beyond our industry. Through such initiatives we are enabling the future growth of the company.

### A robust board

The board, through the Nominations and Remuneration Committee, constantly examines the composition of its membership to ensure that all the necessary competencies are covered for it to provide effective oversight of and guidance to management. As a result, two new directors were appointed during the year, to fill board vacancies:

- **Mary Kimotho M'Mukindia** was appointed in February 2013. She has many years of experience in the energy sector, first working for multinational oil companies and later serving as the Managing Director of National Oil Corporation of Kenya. She is currently a director of several companies, and a management consultant.
- **Patrick O Obath** was appointed in September 2013. He served for many years with the Shell group of companies, in Europe, Asia and Africa, finally serving as the CEO of Shell's operations in Kenya and Tanzania. He is the immediate past Chairman of the Kenya Private Sector Alliance (KEPSA), and is a director of several public and private companies as well as running his own consultancy.

I am confident that the Group will benefit considerably from the additional skills and experience they bring to it.

### Positive Outlook

Despite the raw material supply and foreign currency challenges we anticipate in the coming year, we remain positive that the initiatives that are planned will mitigate the negative impacts of these factors on our business and enable us to grow our volumes and realise further gains in profitability.

In particular, we are working on the following areas:

- **improved operations** through further modernisation and expansion of our production facilities and increased grain storage capacity.
- pursuing new opportunities for **product and geographic diversification** (specifically Uganda and Tanzania).
- **human resource development** that ensures we have skilled, competent and engaged employees to drive our future growth.
- **realising synergies**, through value added partnerships and strategic acquisitions that will expand both our product range and geographic coverage, whilst and enhancing shareholder value.

Through our Group value of continual improvement, we fully appreciate that the journey of organisational strengthening on which we are embarked is a long one. It is also an exciting one, as we build the financial, human and operational base that will enable us to embark on a period of sustained and profitable growth.

### Appreciation of all our stakeholders

The financial year just ended presented numerous and significant challenges, requiring the resourcefulness and diligence of many people to confront them. I therefore wish to express my appreciation first to my fellow directors for their support, and then to the management and staff for their professionalism and ingenuity, all of which made the achievement of the year's results possible. I wish also to convey my appreciation to the shareholders for their continued faith in the Group.



**Isabella Ochola- Wilson**  
Chairman