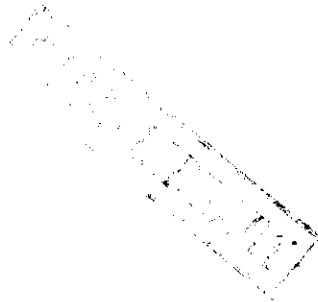
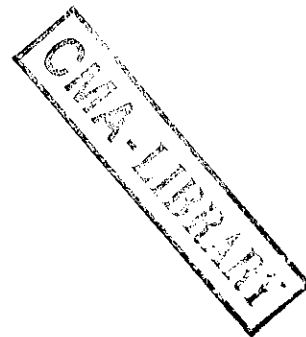


**SASINI TEA AND COFFEE LIMITED
AND
SUBSIDIARIES**

**ANNUAL REPORT
AND
FINANCIAL STATEMENTS
30 SEPTEMBER 2002**



CMA - Ke Library



AR0070

ERNST & YOUNG

45
9198
K 46
S 275
2002
C1

1. Tea trade -- Kenya -- Derivatives
2. Tea trade -- Lapsini -- Kenya

111111

SASINI TEA AND COFFEE LIMITED AND SUBSIDIARIES

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2002

CONTENTS	PAGE(S)
Company Information	1
Notice of Meeting	2
Chairman's Statement	3 - 4
Salient Features and Financial Calendar	5
Report of the Directors	6 - 7
Corporate Governance	8 - 9
Statement of Directors' Responsibilities	10
Report of the Independent Auditors	11
Consolidated Balance Sheet	12
Company Balance Sheet	13
Consolidated Profit and Loss Account	14
Statement of Changes in Equity	15 - 16
Consolidated Cash Flow Statement	17
Notes to the Financial Statements	18 - 28
Five Year Comparative Statement	29

2007/0070

SASINI TEA AND COFFEE LIMITED AND SUBSIDIARIES

NOTICE OF MEETING

Notice is hereby given that the 51st ANNUAL GENERAL MEETING of the members will be held at the Hotel Inter-Continental, Nairobi on Friday, 28th February 2003 at 11.00 am for the following purposes:

1. To confirm the minutes of the 50th Annual General Meeting held on 21st February 2002.
2. To receive, consider and if deemed fit, adopt the annual financial statements for the year ended 30th September 2002 together with the reports thereon of the Directors and of the Auditors.
3. To confirm the interim dividend of 10% paid on 14th June 2002.
4. a) To elect Directors:
 - i) N. N. Merali, a director retiring by rotation, who being eligible, offers himself for re-election.
 - ii) M. N. Omar, a director retiring by rotation, who being eligible, offers himself for re-election.
 - iii) A. H. Butt, a director retiring by rotation, who being eligible, offers himself for re-election.
 - iv) I. A. Timamy, a director retiring by rotation, who being eligible, offers himself for re-election.
 - v) B. M. Williams, a director retiring by rotation, who being eligible, offers himself for re-election.
 - vi) P. W. Muthoka, a director retiring by rotation, who being eligible, offers himself for re-election.
- b) Special notice is hereby given pursuant to Section 186(5) of the Companies Act, to consider the following resolutions:
 - i) " That Mr. M. H. Da Gama-Rose, a director who has attained the age of 72 years, be and is hereby re-elected a director of the Company ".
 - ii) " That Mr. A. P. Hamilton, a director who has attained the age of 75 years, be and is hereby re-elected a director of the Company ".
5. To confirm the Directors' emoluments.
6. To appoint Ernst & Young as auditors for the ensuing year and authorise the Directors to fix their remuneration.
7. Special Business
To consider and if thought fit, pass the following special resolution:

" That the existing Articles of Association of the company be amended by the insertion of the following Articles in order to comply with the requirements of Central Depositories Act 2000.

35(a). The provisions of the Central Depositories Act 2000 as amended or modified from time to time shall apply to the Company to the extent that any securities of the Company are in part or in whole immobilised or dematerialised , or are required by the regulations or rules issued under the Central Depositories Act to be immobilised or dematerialised in part or in whole, as the case may be. Any provisions of these Articles that are inconsistent with the Central Depositories Act or any regulations or rules issued or made pursuant thereto shall be deemed to be modified to the extent of such inconsistencies in their application to such securities. For the purposes of these Articles of Association, immobilisation and dematerialisation shall be construed in the same way as they are construed in the Central Depositories Act.

35(b) . Where any securities of the Company are forfeited pursuant to these Articles of Association after being immobilised or dematerialised, the Company shall be entitled to transfer such securities to a securities account designated by the directors for this purpose."
8. To transact any other business which may be transacted at an Annual General Meeting.

By order of the Board

I. A. TIMAMY

Company Secretary
Nairobi,
11 December 2002

Notes:

- * A member entitled to attend and vote at this meeting, may appoint a proxy to attend and vote on his/her behalf, and such a proxy need not be a member of the Company.
- * The form of proxy is enclosed.

SASINI TEA AND COFFEE LIMITED AND SUBSIDIARIES

CHAIRMAN'S STATEMENT

The adverse global economic conditions of the previous year continued during the financial year 2001/2002. Once again, the Company managed to meet both its production and sales targets for the year. Profitability, however, was significantly affected by the continuing decline in international commodity prices for both tea and coffee due to a general oversupply in the market.

The lower price realisations for both tea and coffee, together with increased costs of key farm inputs, have resulted in a loss for the year of K.Shs 6.94million after taxation. The loss has been mitigated to a large extent by the capital gain on the disposal of our 49% share in the associated company, Garton Limited. Prospects for the financial year 2002/2003, however, look gloomy based on the continuing global oversupply of both tea and coffee, which will adversely affect price realisations.

Our tea production for the financial year was a record 7.54 million kilograms compared to 7.24 million kilograms achieved for the previous period. This was made up of 7.04 million kilograms from our Kipkebe Limited tea operations and 0.50 million kilograms from our Maramba Tea Factory in Limuru. Of our total production for the year from Kipkebe Limited, 66% was derived from green leaf from our own estates, whilst the remaining 34% was sourced from our regular outgrowers. This compared with 71% and 29% respectively for the previous year.

Tea sales for the year also increased to a record 7.62 million kilograms compared to the 7.15 million kilograms achieved during the previous year. This was made up of 7.24 million kilograms from Kipkebe Limited and 0.38 million kilograms from Maramba Tea Factory. Of the total quantity of tea sold during the year, 95% was sold through the auctions in Mombasa, with the remaining 5% sold directly through private treaty contracts. This compared with 88% and 12% respectively for the previous year.

Our average sales price per kilogram of tea for the year was down to K.Shs 88.51 from an already reduced level of K.Shs 95.43 for the previous year. Even though the quality of our made tea remained consistent throughout the year, the reduction in the average sales price of our teas was primarily due to the reduced international market prices for the commodity based on increased supply levels. This downturn trend has had a significant adverse effect on the profitability levels within our tea operations.

Since the end of our financial year, global market prices for tea have declined further due to increased production levels across the industry. Any meaningful improvement in tea prices in the near future, therefore, seems unlikely. Operating costs within our tea sector have been monitored very closely during the current financial year, and efforts to reduce costs further where possible will continue during the next financial year. Looking on the positive side however, our decision to invest in Maramba Tea Factory Limited appears not only justified but also very timely, given the global market situation for both tea and coffee. The factory is now fully operational and produces very high quality teas.

SASINI TEA AND COFFEE LIMITED AND SUBSIDIARIES

CHAIRMAN'S STATEMENT (continued)

Our coffee operations also continued to be adversely affected by depressed international market prices. Production levels for the year, although in line with our expectations, were 23% lower than the quantities achieved during the previous year. A total production of 1,113 tonnes of coffee was achieved during the year compared to 1,453 tonnes for the previous year. Our total sales of coffee for the year were 1,224 tonnes compared to the record 1,392 tonnes of coffee sold in the previous year. The continued global surplus of arabica coffee, combined with static demand levels for the commodity, depressed coffee prices further during the current financial year. Our average sales price per tonne improved marginally to K.Shs 125,000 from the low level of K.Shs. 124,000 for the previous year.

The steady decline in the coffee industry in Kenya, combined with depressed global market prices for coffee, has resulted in a significant reduction in profitability levels within the sector. With the cost of farm inputs increasing and the requirement to maintain our coffee estates in good condition, any return to meaningful profitability within the sector remains a difficult prospect without a marked improvement in the price of our coffee.

Whilst some attempts have been made to liberalise the coffee sector in Kenya, producers are still not allowed to sell their coffee directly through private treaty contracts. This is an important area where efforts need to be focused in order to try and retrieve some of the niche markets enjoyed by Kenya coffee in the past. At the producer level, there needs to be incentives both financial and technical for the small holder to continue growing coffee. With an ever reducing coffee production from year to year, specific initiatives need to be put in place if Kenya coffee is to remain a viable earner of much needed foreign exchange for the country.

The gloomy short-term outlook notwithstanding, our company remains committed to the agricultural sector in Kenya. Its focus, however, needs to be changed to looking further down the value chain for both tea and coffee. Countries such as Vietnam and China are now growing both tea and coffee in abundance at much lower costs of production than ours. Although their quality is not comparable to the Kenyan produce, the large volumes being produced are adding to the available supplies in the market and thereby exerting further downward pressure on international market prices.

For our company, future growth and profitability within the agricultural industry remains the primary objective. The Board and Management will continue to look at alternative activities that can add value to the bottom line, whilst containing costs and maintaining operational efficiencies. A very necessary prerequisite, however, is that commodity prices of both tea and coffee improve from their present levels if we are to return to reasonable levels of profitability.

A. P. Hamilton

SASINI TEA AND COFFEE LIMITED AND SUBSIDIARIES

SALIENT FEATURES AND FINANCIAL CALENDAR

		2002	2001
TURNOVER	K.Shs '000	<u>848,445</u>	<u>874,602</u>
(Loss) / Profit attributable to the members	K.Shs '000	<u>(6,940)</u>	<u>15,390</u>
Dividend per ordinary share	K.Shs	<u>0.50</u>	<u>1.00</u>
Shareholders' Funds	K.Shs '000	<u>1,754,912</u>	<u>1,841,719</u>

Annual Report and Financial Statements circulated in January 2003.

DIVIDENDS

Interim	K.Shs 0.50 per share	paid on 14 June 2002
Final proposed	Nil	

STATISTICS

The following statistics relating to the group's tea and coffee activities give a comparison of the results achieved on the estates during the last two years. A five year comparative statement is given on page 29.

		TEA		COFFEE	
		2002	2001	2002	2001
Area	Hectares	1,354	1,301	911	906
Production	Tonnes	7,544	7,240	1,113	1,453
Sales	Tonnes	7,624	7,149	1,224	1,392
Net sales proceeds:					
Tea	K.Shs / Kg	88.51	95.43	-	-
Coffee	K.Shs '000 / Tonne	-	-	125	124

SASINI TEA AND COFFEE LIMITED AND SUBSIDIARIES

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their annual report and the audited financial statements for the year ended 30 September 2002 which show the state of affairs of the group and the company.

ACTIVITIES

The principal activities of the company and its subsidiaries continue to be the growing and processing of tea and coffee, investment in equity and property, forestry, dairy operations and breeding of beef cattle.

GROUP RESULTS AND DIVIDENDS

			2002	2001
			K.Shs '000	K.Shs '000
Net (loss)/ profit attributable to the members			(6,940)	15,390
Interim dividend paid	10 %	(2001 : 15%)	(19,005)	(28,507)
Final dividend proposed	Nil	(2001 : 5%)	-	(9,502)
Balance transferred (from) reserves			<u>(25,945)</u>	<u>(22,619)</u>

SHARE CAPITAL AND RESERVES

The authorised and issued share capital of the company at 30 September 2002 and matters relating thereto are set out in note 9 to the financial statements.

Full details of the group and company reserves and movements therein during the year are shown on pages 15 and 16 of the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in Property, plant and equipment are shown in note 2 to the financial statements.

DIRECTORS

Details of the Board of Directors are set out on page 1.

Messrs. N. N. Merali, M. N. Omar, A. H. Butt, I. A. Timamy, B. M. Williams and P. W. Muthoka retire by rotation and, being eligible, offer themselves for re-election.

Mr. M. H. Da Gama-Rose and Mr. A. P. Hamilton also retire by rotation and being 72 years of age and 75 years of age respectively, seek re-election under the provisions of Section 186(5) of the Companies Act.

Mr. K. A. Somaya resigned as Managing Director with effect from 1st September 2002, and Mr. M. W. Harley retired as director on 24 October 2001.

SASINI TEA AND COFFEE LIMITED AND SUBSIDIARIES

REPORT OF THE DIRECTORS (continued)

SUBSTANTIAL SHAREHOLDINGS

The Directors are aware of the following interests which amount to 5% or more of the issued share capital of the company:

	Shareholding %	
	2002	2001
Legend Investments Limited	41.84	41.84
East Africa Batteries Limited	14.17	0.00
Yana Towers Limited	12.92	12.92
Old Mutual Life Assurance Company Limited	2.56	5.19

AUDIT COMMITTEE

The company's Audit Committee, appointed in 1999 in accordance with the requirements of the Nairobi Stock Exchange, held its scheduled quarterly meetings on matters relating to the company's accounts and internal control systems. All matters raised in this regard were appropriately addressed in conjunction with the independent auditors.

AUDITORS

Ernst & Young have expressed their willingness to continue in office in accordance with section 159(2) of the Companies Act.

By order of the Board

I. A. Timamy

Company Secretary

Nairobi

11 December 2002



SASINI TEA AND COFFEE LIMITED AND SUBSIDIARIES

CORPORATE GOVERNANCE

Sasini Tea and Coffee Limited is committed to the new standards of Corporate Governance introduced by the Capital Markets Authority. The Board of Directors is responsible for the long-term growth and profitability of the Company, whilst being accountable to the shareholders for compliance with the law and maintaining the highest standards of corporate governance and business ethics.

The Board of Directors

The Board is made up of a substantial majority of independent, non-executive directors, including the Chairman. The directors are given appropriate and timely information so that they can maintain full and effective control over all strategic, financial, operational and compliance issues.

Whilst the day to day running of the business of the Company is delegated to the Managing Director and Chief Executive Officer, the Board is responsible for establishing and maintaining the Company's system of internal controls so that its objectives for increased growth in the profitability and shareholder value are realised.

Board Meetings

The Board of Directors meets every quarter in order to monitor the Company's planned strategy and review it in conjunction with its financial performance. Specific reviews are also undertaken of management performance, operational issues and future planning.

Board Committees

There are two principal committees that meet regularly under the terms of reference set by the Board.

Audit Committee

The Board has constituted an audit committee, which meets four times a year, or as required. Its responsibilities include the review of interim and full year financial statements so as to ensure compliance with accounting standards and other disclosure requirements; the maintenance of the Company's system of accounting and internal controls; liaison with the external auditors of the company and putting into effect their recommendations. The external auditors, and internal auditors and the Company's Managing and Finance Directors attend all meetings of the committee.

Finance Committee

The finance committee of the Company meets four times a year and it is responsible for ensuring that the systems of financial control are effectively administered, and that key financial reports are properly reviewed prior to circulation to the Board. The finance committee also defines the scope and responsibilities of the Company's internal auditors.

The Board appoints other committees as and when required.

SASINI TEA AND COFFEE LIMITED AND SUBSIDIARIES

CORPORATE GOVERNANCE (continued)

Communication with Shareholders

The Company is committed to ensuring that shareholders and the financial markets are provided with full and timely information about its performance. This is usually done through the distribution of the Company's Annual Report and the release of notices to the national press of its half-yearly and annual results.

In this regard, the Company complies with its obligations contained in the Nairobi Stock Exchange's Listing Rules and the Capital Markets Authority Act applicable in Kenya.

Directors' Emoluments and Loans

The aggregate amount of emoluments paid to Directors for services rendered during the financial year 2001/2002 is disclosed in Note 24 to the financial statements.

Neither at the end of the financial year, nor at any time during the year did there exist any arrangement to which the Company is a party, whereby Directors might acquire benefits by means of the acquisition of the Company's shares.

There were no Directors' loans at any time during the year.

Directors' Interests

Directors' interests in the shares of the Company as at 30th September 2002 were as follows:

Name of Director	No. of Shares
Mr. A. P. Hamilton	10,000
Mr. P. W. Muthoka	10,000
Mr. A. H. Butt	4,500
Mr. I. A. Timamy	1,950
Mr. M. N. Omar	450

Distribution of Shareholding

Shareholding Range	No. of Shareholders
Less than 1,000	543
1,000 - 5,000	335
5,001 - 10,000	79
10,001 - 100,000	113
100,001 - 1,000,000	23
Above 1,000,000	4
Total	1,097

Major Shareholders

The 10 major shareholders of the Company as at 30th September 2002 were as follows:

No.	Name of Shareholder	No. of Shares	% Shareholding
1	Legend Investments Limited	15,902,892	41.84
2	East Africa Batteries Ltd.	5,385,504	14.17
3	Yana Towers Limited	4,911,774	12.92
4	UAP Provincial Insurance Co. Ltd.	1,205,094	3.17
5	Old Mutual Life Assurance Co. Ltd.	972,788	2.56
6	John Kibunga Kimani	513,788	1.35
7	Barclays (Kenya) Nominees Ltd. - '1256 A/C'	500,000	1.32
8	Barclays (Kenya) Nominees Ltd. - '1853 A/C'	350,000	0.92
9	Stanbic Nominees Kenya Ltd - A/C SCKPF	299,000	0.79
10	Kanaksinh Karsandas Babla & Sandip Kanaksinh Babla	280,300	0.74

SASINI TEA AND COFFEE LIMITED AND SUBSIDIARIES

STATEMENT OF DIRECTORS' RESPONSIBILITIES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2002

The 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 operating results of the group for that year. It also requires the directors to ensure the group and the company keep proper accounting records, which disclose with reasonable accuracy at any time, the financial position of the group and the company. They are also responsible for safeguarding the assets of the group and the company.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the group and the company and of the operating results of the group. The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the directors to indicate that the group will not remain a going concern for at least the next twelve months from the date of this statement.

A. P. Hamilton - Director

A. H. Butt - Director

11 December 2002

**REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF
SASINI TEA AND COFFEE LIMITED AND SUBSIDIARIES**

We have audited the financial statements set out on pages 12 to 28 which have been prepared on the basis of the accounting policies set out on pages 18 to 19. We obtained all the information and explanations which we considered necessary for our audit.

Respective Responsibilities of the Directors and the Independent Auditors

As stated on page 10, the directors are responsible for the preparation of the financial statements which give a true and fair view of the state of affairs of the group and company and the operating results of the group. Our responsibility is to express an independent opinion on the financial statements based on our audit and to report our opinion to you.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, proper books of account have been kept and the financial statements, which are in agreement therewith, give a true and fair view of the state of the financial affairs of the group and the company at 30 September 2002 and of the loss and cash flows for the year then ended and comply with International Financial Reporting Standards and the Companies Act.

**Ernst & Young
Certified Public Accountants (Kenya)**

**Nairobi
11 December 2002**

SASINI TEA AND COFFEE LIMITED AND SUBSIDIARIES

**CONSOLIDATED BALANCE SHEET
30 SEPTEMBER 2002**

	Note	2002 K.Shs '000	2001 K.Shs '000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	2(a)	1,707,904	1,553,311
Prepaid leases - leasehold land	2(d)	13,898	13,931
Capital work-in-progress	2(c)	2,268	4,416
Investment in subsidiary company	3	-	55,000
Investment in associated company	4	-	81,318
Other investments	5	11,385	10,860
		<u>1,735,455</u>	<u>1,718,836</u>
CURRENT ASSETS			
Stocks	6	139,071	158,211
Trade and other debtors	7	154,289	84,457
Taxation recoverable	14	7,899	6,677
Cash and cash equivalents		181,611	145,035
		<u>482,870</u>	<u>394,380</u>
TOTAL ASSETS		<u>2,218,325</u>	<u>2,113,216</u>
SHAREHOLDERS' FUNDS AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	9	190,046	190,046
Reserves	10	1,564,866	1,642,171
Proposed dividend	11	-	9,502
		<u>1,754,912</u>	<u>1,841,719</u>
MINORITY INTERESTS		<u>89,418</u>	<u>53,564</u>
NON- CURRENT LIABILITIES			
Deferred tax	12	32,925	65,591
Bank loan	16	83,055	-
CURRENT LIABILITIES			
Current portion of bank loan	16	66,966	-
Creditors	13	171,143	147,815
Amounts due to related company	8	4,500	-
Bank overdraft	15	15,406	4,527
		<u>258,015</u>	<u>152,342</u>
TOTAL SHAREHOLDERS' FUNDS AND LIABILITIES		<u>2,218,325</u>	<u>2,113,216</u>

The financial statements set out on pages 12 to 28 were approved by the Board of Directors on 11 December 2002 and signed on its behalf by :

A. P. Hamilton - Director

A. H. Butt - Director

SASINI TEA AND COFFEE LIMITED AND SUBSIDIARIES

**COMPANY BALANCE SHEET
30 SEPTEMBER 2002**

	Note	2002 K.Shs '000	2001 K.Shs '000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	2(b)	531,125	555,923
Prepaid leases - leasehold land	2(d)	726	744
Investment in subsidiary companies	3	14,797	14,797
Investment in associated company	4	-	12
Other investments	5	1,298	1,298
		<u>547,946</u>	<u>572,774</u>
CURRENT ASSETS			
Stocks	6	25,060	47,057
Amount due from subsidiary companies	8	1,987	12,680
Trade and other debtors	7	27,146	8,812
Taxation recoverable		2,414	-
Dividend receivable		-	20,000
Cash and cash equivalents		104,247	63,965
		<u>160,854</u>	<u>152,514</u>
TOTAL ASSETS		<u>708,800</u>	<u>725,288</u>
SHAREHOLDERS' FUNDS AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	9	190,046	190,046
Reserves	10	483,365	469,892
Proposed dividends	11	-	9,502
		<u>673,411</u>	<u>669,440</u>
NON-CURRENT LIABILITIES			
Deferred tax	12	<u>8,583</u>	<u>16,295</u>
CURRENT LIABILITIES			
Creditors	13	26,806	26,977
Amount due to subsidiary companies	8	-	8,364
Bank overdraft	15	-	1,904
Tax payable		-	2,308
		<u>26,806</u>	<u>39,553</u>
TOTAL SHAREHOLDERS' FUNDS AND LIABILITIES		<u>708,800</u>	<u>725,288</u>

The financial statements set out on pages 12 to 28 were approved by the Board of Directors on 11 December 2002 and signed on its behalf by :

A. P. Hamilton - Director

A. H. Butt - Director

SASINI TEA AND COFFEE LIMITED AND SUBSIDIARIES

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER 2002**

	Note	2002 K.Shs '000	2001 K.Shs '000
Turnover	17	848,445	874,602
Cost of sales	18	(665,375)	(590,340)
Gross profit		<u>183,070</u>	<u>284,262</u>
Other operating income	19	27,684	23,696
		<u>210,754</u>	<u>307,958</u>
Administration and establishment expenses	20	(241,024)	(236,194)
Selling and distribution expenses	21	(7,710)	(8,032)
Other charges and expenses	22	(9,783)	(3,330)
(Loss) / profit from operations		<u>(47,763)</u>	<u>60,402</u>
Finance costs	23	(7,225)	(1,852)
Share of loss of associated company		(13,427)	(22,114)
(Loss) / profit before tax, minority interests and exceptional item	24	<u>(68,415)</u>	<u>36,436</u>
Exceptional item	25	41,822	-
		<u>(26,593)</u>	<u>36,436</u>
Taxation	14	9,807	(24,114)
(Loss) / profit after tax and before minority interests		<u>(16,786)</u>	<u>12,322</u>
Minority interests		9,846	3,068
(Loss) / profit attributable to the members		<u><u>(6,940)</u></u>	<u><u>15,390</u></u>
		K.Shs	K.Shs
(Loss) / Earnings per share	26	<u>(0.18)</u>	<u>0.40</u>
Dividends: (K.Shs'000)			
Interim dividends - paid in the year	11	19,005	28,507
Proposed final dividend for the year	11	-	9,502
		<u>19,005</u>	<u>38,009</u>

SASINI TEA AND COFFEE LIMITED AND SUBSIDIARIES

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2002**

THE GROUP	Note	Share capital K.Shs '000	Capital reserves K.Shs '000	Revenue reserves K.Shs '000	Proposed dividends K.Shs '000	Total equity K.Shs '000
At 1 October 2000		190,046	1,493,014	515,818	47,512	2,246,390
Prior year adjustments	27	-	(346,286)	(5,790)	-	(352,076)
		<u>190,046</u>	<u>1,146,728</u>	<u>510,028</u>	<u>47,512</u>	<u>1,894,314</u>
As restated						
Excess depreciation on revaluation		-	(29,176)	29,176	-	-
Release of depreciation on disposal		-	(488)	488	-	-
Profit attributable to the members		-	-	15,390	-	15,390
Deferred tax	12	-	8,034	-	-	8,034
Final dividend for 2000		-	-	-	(47,512)	(47,512)
Interim dividend for 2001	11	-	-	(28,507)	-	(28,507)
Proposed dividend for 2001	11	-	-	(9,502)	9,502	-
		<u>190,046</u>	<u>1,125,098</u>	<u>517,073</u>	<u>9,502</u>	<u>1,841,719</u>
At 30 September 2001						
At 1 October 2001		190,046	1,471,384	518,783	9,502	2,189,715
Prior year adjustments	27	-	(346,286)	(1,710)	-	(347,996)
		<u>190,046</u>	<u>1,125,098</u>	<u>517,073</u>	<u>9,502</u>	<u>1,841,719</u>
As restated						
Excess depreciation on revaluation		-	(28,768)	28,768	-	-
(Loss) attributable to the members		-	-	(6,940)	-	(6,940)
Adjustment on disposal of associate	4	-	(60,103)	-	-	(60,103)
Deferred tax	12	-	8,743	-	-	8,743
Final dividend for 2001		-	-	-	(9,502)	(9,502)
Interim dividend for 2002	11	-	-	(19,005)	-	(19,005)
Proposed dividend for 2002	11	-	-	-	-	-
		<u>190,046</u>	<u>1,044,970</u>	<u>519,896</u>	<u>-</u>	<u>1,754,912</u>
At 30 September 2002						

SASINI TEA AND COFFEE LIMITED AND SUBSIDIARIES

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2002

THE COMPANY	Note	Share capital K.Shs '000	Capital reserves K.Shs '000	Revenue reserves K.Shs '000	Proposed dividends K.Shs '000	Total equity K.Shs '000
At 1 October 2000		190,046	502,422	37,970	47,512	777,950
Prior year adjustments	27	-	(47,954)	(172)	-	(48,126)
As restated		<u>190,046</u>	<u>454,468</u>	<u>37,798</u>	<u>47,512</u>	<u>729,824</u>
Excess depreciation on revaluation		-	(13,152)	13,152	-	-
Profit attributable to the members		-	-	12,202	-	12,202
Deferred tax		-	3,433	-	-	3,433
Final dividend for 2000		-	-	-	(47,512)	(47,512)
Interim dividend for 2001	11	-	-	(28,507)	-	(28,507)
Proposed dividend 2001	11	-	-	(9,502)	9,502	-
At 30 September 2001		<u>190,046</u>	<u>444,749</u>	<u>25,143</u>	<u>9,502</u>	<u>669,440</u>
At 1 October 2001		190,046	492,703	24,111	9,502	716,362
Prior year adjustments	27	-	(47,954)	1,032	-	(46,922)
As restated		<u>190,046</u>	<u>444,749</u>	<u>25,143</u>	<u>9,502</u>	<u>669,440</u>
Excess depreciation on revaluation		-	(12,869)	12,869	-	-
Profit attributable to the members		-	-	29,234	-	29,234
Deferred tax		-	3,244	-	-	3,244
Final dividend for 2001		-	-	-	(9,502)	(9,502)
Interim dividend for 2002	11	-	-	(19,005)	-	(19,005)
Proposed dividend for 2002	11	-	-	-	-	-
At 30 September 2002		<u>190,046</u>	<u>435,124</u>	<u>48,241</u>	<u>-</u>	<u>673,411</u>

SASINI TEA AND COFFEE LIMITED AND SUBSIDIARIES

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2002**

	Note	2002 K.Shs '000	2001 K.Shs '000
Cash flows from operating activities			
(Loss) / profit before tax, minority interests and exceptional item		(68,415)	36,436
Adjustments for:			
Depreciation and amortisation		98,212	91,333
Foreign exchange loss		39	957
Share of loss of associated company		13,427	22,114
(Increase) / decrease in value of quoted investment		(525)	6,525
Interest received		(8,615)	(9,243)
Dividend received from trade investments		(1,638)	(1,638)
Interest expense		7,225	1,852
Gain on disposal of fixed assets		(1,848)	(1,524)
Loss on disposal of fixed assets		-	171
Operating profit before working capital changes		<u>37,862</u>	<u>146,983</u>
Decrease /(increase) in stocks		19,140	(35,270)
(Increase) /decrease in debtors		(69,832)	10,769
Increase in amounts due to related company		4,500	-
Increase in creditors		23,328	3,352
Cash generated from operations		<u>14,998</u>	<u>125,834</u>
Interest paid		(7,225)	(1,852)
Income taxes paid		(18,835)	(57,133)
Net cash from operating activities		<u>(11,062)</u>	<u>66,849</u>
Cash flows from investing activities:			
Purchase of fixed assets		(254,864)	(50,033)
Dividend received from trade investments		1,638	1,638
Proceeds on sale of fixed assets		3,940	3,259
Work in progress		2,148	(3,259)
Purchase of investment		-	(55,000)
Proceeds on disposal of associate company		53,807	-
Interest received		8,615	9,243
Net cash used by investing activities		<u>(184,716)</u>	<u>(94,152)</u>
Cashflows from financing activities:			
Proceeds from loans		150,021	-
Proceeds from issuance of share capital of subsidiary		100,000	-
Dividend paid on ordinary shares		(28,507)	(76,019)
Net cash generated from / (used) by financing activities		<u>221,514</u>	<u>(76,019)</u>
Net increase/(decrease) in cash and cash equivalents		25,736	(103,322)
Cash and cash equivalents at the beginning of the year		140,508	244,787
Effect of exchange rate changes		(39)	(957)
Cash and cash equivalents at the end of the year	28	<u>166,205</u>	<u>140,508</u>

SASINI TEA AND COFFEE LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2002

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The Group prepares its financial statements on the historical cost basis of accounting, modified to include the revaluation of certain assets.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and its subsidiaries made up to 30 September 2002

Any goodwill arising on the acquisition of subsidiaries is written off to revenue reserves in the year of purchase.

Associated company

Where the Group has a beneficial interest of 20 per cent or more of the equity capital and has the ability to exercise significant influence in that company, other than a subsidiary company, the consolidated financial statements include the Group's share of the profits and attributable taxation of the associated company based on the latest audited financial

In the consolidated balance sheet, the investment in the associated company is stated at cost together with the Group's share of post acquisition retained profits.

Subsidiary companies

The investment in subsidiary companies is accounted for at cost.

Revenue recognition

Turnover includes gross sales proceeds from coffee, tea and the sale of livestock and dairy products net of all selling charges, marketing commission, ad valorem levy and County Council cess where applicable and is accounted for on the accrual basis.

Other revenues earned by the Group are recognised as follows:

- Interest and rental income - as it accrues unless collectibility is doubtful.
- Dividend income - when the shareholder's right to receive payment is established.

Taxation

Current taxation is provided on the basis of the results for the year as shown in the financial statements, adjusted in accordance with tax legislation. Deferred taxation is provided using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and the unused tax credits can be utilised.

Trade investments

Quoted investments are stated at market value. Other investments are stated at cost.

Provision is made for any permanent diminution in value.

Stocks

Tea, coffee and estate stores are stated at the lower of cost and net realisable value. Cost comprises expenditure incurred in the normal course of business, including direct material costs, labour and production overheads where appropriate. Net realisable value is the price at which the stock can be realised in the normal course of business after allowing for costs of realisation. Provision is made for obsolete, slow moving and defective stocks.

Livestock is stated at directors' valuation.

SASINI TEA AND COFFEE LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2002

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant, equipment and depreciation

Property, plant and equipment are stated at 1995 revaluation amounts, with subsequent additions stated at cost.

Depreciation is not provided on land and development as the costs of replanting, infilling and upkeep of developed areas are charged against revenue in the year in which they are incurred. Development costs include direct costs and attributable overheads incurred in bringing newly planted areas into production.

Where developed areas are affected by natural or other causes, resulting in a material permanent diminution of earnings, the development costs in respect of such areas are written off to the profit and loss account. Subsequent development costs attributable to such areas are capitalised.

Depreciation on other assets is provided over the estimated useful lives of the assets on the straight line method. The principal rates in use are:-

	Over the estimated useful lives
Buildings and improvements	12.5%
Plant, machinery and tools	25.0%
Rolling stock	12.5%
Farm implements, furniture and equipment	33.3%
Computers	

The excess depreciation charge on the revalued element of the assets is transferred from capital reserves to revenue reserves.

Leases of leasehold land

Leases of leasehold land are classified as operating leases. The cost incurred to acquire the land is included in the financial statement as long term prepayments, which is amortised in the profit and loss account on a straight line basis over the lease period.

Foreign currency transactions

Assets and liabilities expressed in foreign currencies are translated into Kenya Shillings at the rate of exchange ruling at the balance sheet date. Transactions during the year in foreign currencies are translated at the rates ruling at the dates of the transactions. Gains and losses on exchange are dealt with in the profit and loss account.

Retirement benefits

Contributions made to the defined contribution scheme are charged to the profit and loss account as incurred. The group also contributes to a statutory defined contribution pension scheme, the National Social Security Fund (NSSF). Contributions are determined by local statute and are limited to K.Shs 200 per employee per month. The group's contribution to the above schemes are charged to the profit and loss account in the year to which they relate.

Bad and doubtful debts

Specific provision is made for all known doubtful debts. Bad debts are written off when all reasonable steps to recover them have been taken without success.

Employee entitlements

Employee entitlement to gratuity under the collective bargaining agreements with the trade unions and long service awards are recognised when they accrue to employees. A provision is made for the liability for such entitlements as a result of services rendered by the employees up to the balance sheet date.

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

Dividends

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

SASINI TEA AND COFFEE LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2002

2(a) PROPERTY, PLANT AND EQUIPMENT

The Group	Land and development K.Shs '000	Buildings and improvements K.Shs '000	Plant machinery and tools K.Shs '000	Rolling stock and farm implements K.Shs '000	Furniture and equipment K.Shs '000	Total K.Shs '000
COST OR VALUATION						
As previously stated						
At 1 October 2001	1,399,666	516,162	369,448	145,664	50,084	2,481,024
Reversal of revaluation surplus	(309,640)	(53,790)	-	-	-	(363,430)
Reclassified to prepayments	(14,050)	(1,210)	-	-	-	(15,260)
	<u>1,075,976</u>	<u>461,162</u>	<u>369,448</u>	<u>145,664</u>	<u>50,084</u>	<u>2,102,334</u>
As restated						
Additions	17,714	122,733	101,729	8,623	4,065	254,864
Disposals	-	-	-	(10,460)	(11)	(10,471)
	<u>1,093,690</u>	<u>583,895</u>	<u>471,177</u>	<u>143,827</u>	<u>54,138</u>	<u>2,346,727</u>
At 30 September 2002						
Comprising:						
At cost	155,604	202,962	228,529	111,104	42,003	740,202
At valuation	938,086	380,933	242,648	32,723	12,135	1,606,525
	<u>1,093,690</u>	<u>583,895</u>	<u>471,177</u>	<u>143,827</u>	<u>54,138</u>	<u>2,346,727</u>
DEPRECIATION						
As previously stated						
At 1 October 2001	350	189,626	224,642	107,999	34,090	556,707
Leasehold land adjustments	(350)	(7,334)	-	-	-	(7,684)
	<u>-</u>	<u>182,292</u>	<u>224,642</u>	<u>107,999</u>	<u>34,090</u>	<u>549,023</u>
As restated						
Charge for the year	-	27,660	50,260	14,310	5,949	98,179
Disposals	-	-	-	(8,370)	(9)	(8,379)
	<u>-</u>	<u>209,952</u>	<u>274,902</u>	<u>113,939</u>	<u>40,030</u>	<u>638,823</u>
At 30 September 2002						
NET BOOK VALUE						
At 30 September 2002	<u>1,093,690</u>	<u>373,943</u>	<u>196,275</u>	<u>29,888</u>	<u>14,108</u>	<u>1,707,904</u>
As restated						
At 30 September 2001	<u>1,075,976</u>	<u>278,870</u>	<u>144,806</u>	<u>37,665</u>	<u>15,994</u>	<u>1,553,311</u>

Most of the group's property, plant and equipment were revalued on 30 September 1995 by Lloyd Masika Limited, registered valuers on the following basis:

Land and Development	-	at market value on an existing use basis.
All other assets	-	at net current replacement cost.

The valuation surplus was credited to capital reserves.

No depreciation has been charged in arriving at the results for the year in respect of certain fully depreciated items of property, plant and equipment with a cost of K.Shs 101,453,003 (2001 - K.Shs 86,644,499) which are still in use. If depreciation had been charged during the year on the cost of these assets at normal rates, it would have amounted to K.Shs 25,038,572 (2001 - K.Shs 20,997,021). Reclassification is in respect to leasehold land that has been reclassified to prepaid leases in accordance with IAS 17. The revaluation surplus relating to leasehold land has consequently been reversed.

SASINI TEA AND COFFEE LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 SEPTEMBER 2002

2(b) PROPERTY, PLANT AND EQUIPMENT

The Company	Land and development K.Shs '000	Buildings and improvements K.Shs '000	Plant machinery and tools K.Shs '000	Rolling stock and farm implements K.Shs '000	Furniture and equipment K.Shs '000	Total K.Shs '000
COST OR VALUATION						
As previously stated						
At 1 October 2001	422,989	193,673	79,395	56,882	21,450	774,389
Reversal of revaluation surplus	-	(53,790)	-	-	-	(53,790)
Reclassified to prepayments	-	(1,210)	-	-	-	(1,210)
As restated	422,989	138,673	79,395	56,882	21,450	719,389
Additions	53	-	-	-	1,460	1,513
Disposals	-	-	-	(9,429)	(11)	(9,440)
At 30 September 2002	423,042	138,673	79,395	47,453	22,899	711,462
Comprising:						
At cost	64,415	11,787	6,253	34,615	14,707	131,777
At valuation	358,627	126,886	73,142	12,838	8,192	579,685
	423,042	138,673	79,395	47,453	22,899	711,462
DEPRECIATION						
At 1 October 2001	-	77,308	38,137	43,728	11,626	170,799
Leasehold land adjustment	-	(7,333)	-	-	-	(7,333)
As restated	-	69,975	38,137	43,728	11,626	163,466
Charge for the year	-	9,889	7,030	3,860	3,440	24,219
Disposals	-	-	-	(7,339)	(9)	(7,348)
At 30 September 2002	-	79,864	45,167	40,249	15,057	180,337
NET BOOK VALUE						
At 30 September 2002	423,042	58,809	34,228	7,204	7,842	531,125
As restated						
At 30 September 2001	422,989	68,698	41,258	13,154	9,824	555,923

No depreciation has been charged in arriving at the results for the year in respect of certain fully depreciated items of property, plant and equipment with a cost of K.Shs 38,824,137 (2001 : K.Shs 32,743,466) which are still in use. If depreciation had been charged during the year on the cost of these assets at normal rates, it would have amounted to K.Shs 10,019,502 (2001 : K.Shs 7,927,923). Reclassification is in respect to leasehold land that has been reclassified to prepaid leases in accordance with IAS 17. The revaluation surplus relating to leasehold land has consequently been reversed.

2(c) CAPITAL WORK IN PROGRESS

The capital work in progress at 30 September 2002 relates to water purification system and a new accounting software and hardware.

2(d) PREPAID LEASES - LEASEHOLD LAND

	The Group		The Company	
	2002	2001	2002	2001
	K.Shs '000	K.Shs '000	K.Shs '000	K.Shs '000
COST				
At 30 September 2002	15,260	15,260	1,210	1,210
AMORTISATION				
Balance brought forward	(1,329)	(1,296)	(466)	(447)
Charge for the year	(33)	(33)	(18)	(19)
Balance carried forward	(1,362)	(1,329)	(484)	(466)
NET BOOK AMOUNT				
Balance carried forward	13,898	13,931	726	744

SASINI TEA AND COFFEE LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2002

3. INVESTMENT IN SUBSIDIARY COMPANIES

	2002 K.Shs '000	2001 K.Shs '000
Company		
Shares in subsidiary companies at cost less amounts written off	14,797	14,797

The subsidiary companies which are all incorporated in Kenya are:

	Percentage of equity held	
Kipkebe Limited	100	
Keritor Limited	100	(100% held by Kipkebe Limited)
Mweiga Estate Limited	75	
Wahenya Limited	75	(100% held by Mweiga Estate Limited)
Maramba Tea Factory Limited	55	(55% held by Kipkebe Estates Limited)
Kipkebe Estates Limited	100	(100% held by Kipkebe Limited)

	2002 K.Shs '000	2001 K.Shs '000
Group		
Maramba Tea Factory Limited	-	55,000

Kipkebe Estates Limited, a wholly owned subsidiary of Kipkebe Limited owns 55% of the shares in Maramba Tea Factory Limited. Kipkebe Limited is, therefore, the ultimate holding company of Maramba Tea Factory Limited. The Group's investment in Maramba Tea Factory Limited was shown at cost in year 2001 since the company had not commenced trading. In the current year, the subsidiary has been consolidated with the ultimate parent company.

4. INVESTMENT IN ASSOCIATED COMPANY

	The Group		The Company	
	2002 K.Shs '000	2001 K.Shs '000	2002 K.Shs '000	2001 K.Shs '000
Investment in Garton Limited				
Unquoted:				
Share of net assets	-	81,318	-	-
Shares at cost	-	-	-	12
	<u>-</u>	<u>81,318</u>	<u>-</u>	<u>12</u>

The Group's share of reserves:

Capital reserves	-	60,103
Revenue reserves	-	21,203
	<u>-</u>	<u>81,306</u>

The Group's 49% holding of the equity capital in Garton Limited was sold during the year.

5. OTHER INVESTMENTS

	The Group		The Company	
	2002 K.Shs '000	2001 K.Shs '000	2002 K.Shs '000	2001 K.Shs '000
Trade investments				
: Quoted	5,356	4,831	31	31
: Unquoted	6,029	6,029	1,267	1,267
	<u>11,385</u>	<u>10,860</u>	<u>1,298</u>	<u>1,298</u>

The quoted trade investments of the Group and the Company have a market valuation of KShs 5,355,880 (2001 : KShs 4,830,800) and KShs 30,880 (2001 : KShs 30,880) respectively.

The unquoted trade investments of the group and the company are valued by the directors at KShs 56,411,963 (2001 : KShs 122,220,291) and KShs 1,267,480 (2001 : KShs 1,267,480) respectively.

SASINI TEA AND COFFEE LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 SEPTEMBER 2002

6. STOCKS	The Group		The Company	
	2002 K.Shs '000	2001 K.Shs '000	2002 K.Shs '000	2001 K.Shs '000
Tea	50,632	52,527	-	-
Tea and tree nurseries	4,332	7,189	-	-
Coffee	21,985	43,205	12,601	33,445
Livestock	949	1,134	173	149
Estate stores	61,173	54,156	12,286	13,463
	<u>139,071</u>	<u>158,211</u>	<u>25,060</u>	<u>47,057</u>
7. DEBTORS				
Trade debtors	67,356	41,607	13,098	3,245
Other debtors and prepaid expenses	86,933	42,850	14,048	5,567
	<u>154,289</u>	<u>84,457</u>	<u>27,146</u>	<u>8,812</u>
8. SUBSIDIARY COMPANY BALANCES				
Due to related company	(4,500)	-	-	-
Due from subsidiaries	-	-	1,987	12,680
Due to subsidiaries	-	-	-	(8,364)
9. SHARE CAPITAL				
Authorised:				
40,000,000 ordinary shares of K.Shs 5 each	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>
Issued and fully paid:				
38,009,250 ordinary shares of K.Shs 5 each	<u>190,046</u>	<u>190,046</u>	<u>190,046</u>	<u>190,046</u>
10. RESERVES				
Capital reserves	1,044,970	1,125,098	435,124	444,749
Revenue reserves	519,896	517,073	48,241	25,143
	<u>1,564,866</u>	<u>1,642,171</u>	<u>483,365</u>	<u>469,892</u>
11. DIVIDENDS				
- paid			19,005	28,507
First interim dividend			-	9,502
Final dividend			<u>19,005</u>	<u>38,009</u>
			K.Shs	K.Shs
Dividends per share			<u>0.50</u>	<u>1.00</u>

The dividend per share is calculated on total dividends of K.Shs 19,004,625 (2001 : K.Shs 38,009,000) and on the number of ordinary shares in issue at the respective balance sheet dates.

Payment of the dividends is subject to withholding tax at the rate of 5% where made to residents and 10% where made to non-residents.

SASINI TEA AND COFFEE LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2002

12. DEFERRED TAX

The provision for deferred tax comprises :

	2002 K.Shs '000	The Group 2001 K.Shs '000	2002 K.Shs '000	The Company 2001 K.Shs '000
Excess of tax allowances over depreciation	131,598	97,418	14,507	19,543
Tax losses	(75,402)	(11,560)	(2,925)	-
Other temporary differences	(23,271)	(20,267)	(2,999)	(3,248)
	<u>32,925</u>	<u>65,591</u>	<u>8,583</u>	<u>16,295</u>

Deferred tax movement:

Balance brought forward	65,591	83,935	16,295	22,513
Balance carried forward	32,925	65,591	8,583	16,295
Movement during year	<u>(32,666)</u>	<u>(18,344)</u>	<u>(7,712)</u>	<u>(6,218)</u>

Analysis of movement during year:

Capital reserves credit	(8,743)	(8,034)	(3,244)	(3,433)
Minority interest share	(701)	(355)	-	-
Revenue reserves credit (note 14)	(23,222)	(9,955)	(4,468)	(2,785)
	<u>(32,666)</u>	<u>(18,344)</u>	<u>(7,712)</u>	<u>(6,218)</u>

13. CREDITORS

Trade creditors	33,075	18,135	6,278	5,793
Other creditors	47,086	47,626	4,705	4,936
Accrued expenses	90,982	82,054	15,823	16,248
	<u>171,143</u>	<u>147,815</u>	<u>26,806</u>	<u>26,977</u>

14. TAXATION

Balance Sheet

	2002 K.Shs '000	The Group 2001 K.Shs '000
Balance brought forward	(6,677)	7,075
Adjustment in respect of prior years	-	2,553
Charge for the year	17,613	40,825
Paid during the year	(18,835)	(57,130)
Balance carried forward	<u>(7,899)</u>	<u>(6,677)</u>

Profit and Loss Account

Tax on taxable profit for the year at 30%	16,739	37,739
Adjustment in respect of prior years	874	3,086
Charge for the year (above)	17,613	40,825
Deferred tax write back (note 12)	(23,222)	(9,955)
Attributable taxation of associated company	(4,198)	(6,756)
Charge for the year after deferred tax	<u>(9,807)</u>	<u>24,114</u>

Dividend tax account

The group and the company have a credit balance on the dividend tax account of K.Shs 316,156,214 and K.Shs 86,138,687 respectively, which includes tax payments to September, 2002. There is therefore no compensating tax payable for the year.

SASINI TEA AND COFFEE LIMITED AND SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 SEPTEMBER 2002**

14. TAXATION (continued)

Reconciliation of tax charge

Accounting profit before taxation

Tax applicable rate of 30 %

Tax effects of items not deducted for tax

Originating and reversing temporary differences

Adjustment in respect of prior years

Taxation attributable to associated company

	2002 K.Shs '000	2001 K.Shs '000
	(68,415)	36,436
	(20,525)	10,931
	1,033	3,285
	13,009	13,568
	874	3,086
	(4,198)	(6,756)
	<u>(9,807)</u>	<u>24,114</u>

15. BANK OVERDRAFT

The bank overdraft facilities with Barclays Bank of Kenya Limited are secured to the extent of K.Shs 10,000,000 by way of a cash deposit guarantee from First American Bank of Kenya Limited. The bank overdraft facility with Standard Chartered Bank is secured to the extent of K.Shs 20 million against an all assets debenture and collateral legal charge over freehold land for K.shs 163.5 million.

16. LOANS

Bank loans:

Secured, repayable by November 2003

Secured, repayable by November 2004

Less: amount falling due within 1 year

Amount falling due after 1 year

	2002 K.Shs '000	2001 K.Shs '000
	47,388	-
	102,633	-
	150,021	-
	(66,966)	-
	<u>83,055</u>	<u>-</u>

The bank loans are denominated in US dollars. The bank borrowings are secured by a debenture over all assets and collateral legal charge over freehold land, and interest is charged at 1 month LIBOR + 3% per annum payable monthly in arrears.

17. TURNOVER

Tea

Coffee

Livestock

Dairy produce

	2002 K.Shs '000	2001 K.Shs '000
	674,842	682,246
	152,912	171,967
	4,103	3,244
	16,588	17,145
	<u>848,445</u>	<u>874,602</u>

18. COST OF SALES

Stock movements

General charges

Plantation maintenance costs

Production expenses

Green leaf purchases

Livestock expenses

	23,077	(22,368)
	94,681	85,365
	214,473	221,273
	180,668	184,280
	136,321	106,048
	16,155	15,742
	<u>665,375</u>	<u>590,340</u>

SASINI TEA AND COFFEE LIMITED AND SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 SEPTEMBER 2002**

19. OTHER OPERATING INCOME

	2002	2001
	K.Shs '000	K.Shs '000
Interest income	8,615	9,243
Dividend income	1,638	1,638
Net loss on exchange	(39)	(957)
Gains on disposal of assets	1,848	1,524
Rent received	6,629	5,718
Sundry income	8,993	6,530
	<u>27,684</u>	<u>23,696</u>

20. ADMINISTRATION AND ESTABLISHMENT EXPENSES

Staff costs	62,283	61,520
Insurance and medical costs	16,451	12,345
Administration costs	33,089	26,853
Auditors' remuneration	1,827	1,713
Legal and professional charges	1,797	3,303
Secretarial costs	3,000	3,000
Travelling and accommodation costs	359	690
Office expenses	8,385	6,200
Directors' emoluments	8,376	13,192
Sundry expenses	7,245	16,044
Amortisation of leasehold land	33	33
Depreciation	98,179	91,301
	<u>241,024</u>	<u>236,194</u>

21. SELLING AND DISTRIBUTION EXPENSES

Warehousing and storage charges

<u>7,710</u>	<u>8,032</u>
--------------	--------------

22. OTHER CHARGES AND EXPENSES

Livestock expenditures
Preoperation expenses
Loss on disposal of fixed assets

2,464	3,159
7,319	-
-	171
<u>9,783</u>	<u>3,330</u>

23. FINANCE COSTS

Bank charges and interest

<u>7,225</u>	<u>1,852</u>
--------------	--------------

24. (LOSS) / PROFIT BEFORE TAXATION AND EXCEPTIONAL ITEM

The (loss) / profit before taxation and exceptional item is arrived at
after charging:

Depreciation	98,179	91,301
Amortisation of leasehold land	33	33
Pension scheme contributions	6,859	6,349
Directors' emoluments:	1,296	1,266
- fees	7,080	11,926
- other	1,827	1,713
Auditors' remuneration		
(Company : K.Shs 550,000 (2001 : K.Shs 550,000))	7,225	1,852
Bank charges and interest	-	171
Loss on disposal of fixed assets		
And after crediting:		
Income from trade investments	1,638	1,638
Interest income	8,615	9,243
Foreign exchange loss	(39)	(957)
Gain on disposal of fixed assets	1,848	1,524

SASINI TEA AND COFFEE LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2002

25. EXCEPTIONAL ITEM

This relates to the gain on disposal of the Company's shares in the associated company, Garton Limited during the year. The Group's current year loss incorporates the share of the operating results of the associated company upto 31 January, 2002.

26. (LOSS) / EARNINGS PER SHARE

The calculation of (loss) / earnings per share is based on the (loss) / profit after taxation and minority interests of K.Shs 6,940,122 (2001 : K.Shs 15,390,499) and on 38,009,250 ordinary shares.

27. PRIOR YEAR ADJUSTMENTS

	The Group		The Company	
	2002	2001	2002	2001
	K.Shs '000	K.Shs '000	K.Shs '000	K.Shs '000
Revaluation surplus on leasehold land - capital	(346,286)	(346,286)	(47,954)	(47,954)
Revaluation surplus on leasehold land - revenue	(5,836)	(5,836)	(5,836)	(5,836)
Amortisation of leasehold land	6,406	4,879	6,868	5,664
Withholding Tax on imported services - Kipkebe Limited	(2,280)	(4,833)	-	-
	<u>(347,996)</u>	<u>(352,076)</u>	<u>(46,922)</u>	<u>(48,126)</u>

The prior year adjustments relating to leasehold land represent the effect of full adoption of IAS 17, on leases.

28. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise of the following balance sheet amounts:

	The Group	
	2002	2001
	K.Shs '000	K.Shs '000
Bank balances, cash and short-term deposits	181,611	145,035
Bank overdraft	(15,406)	(4,527)
	<u>166,205</u>	<u>140,508</u>

29. PROFIT ATTRIBUTABLE TO THE MEMBERS

The profit dealt with in the financial statements of the parent company is K.Shs 29,233,790 (2001 : K.Shs 12,201,477), after recognising dividend income from subsidiary companies in the year to which it relates.

30. CAPITAL COMMITMENTS

Authorised and contracted for

	The Group		The Company	
	2002	2001	2002	2001
	K.Shs '000	K.Shs '000	K.Shs '000	K.Shs '000
	11,016	-	-	-

31. RELATED PARTY TRANSACTIONS

The company shares common directors with some of its subsidiary companies and suppliers, to and from whom, goods and services were supplied during the period under review. These transactions were at arm's length and in the normal course of business. The following transactions were entered into with these related parties:

	2002	2001
	K.Shs '000	K.Shs '000
Purchase of goods and services		
Ryce Motors Limited	541	10,361
Ryce Engineering Limited	141	2,192
OEL Sysnet Limited	147	169
Tyre Centre Limited	498	198
Sameer Management Limited	3,000	3,000
	<u>4,327</u>	<u>15,920</u>

The company also shares common directors with two of its bankers, who supplied a range of banking services to the company during the period under review. The transactions entered into with these related parties were at arm's length and in the normal course of business.

SASINI TEA AND COFFEE LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2002

32. CONTINGENT LIABILITIES	The Group		The Company	
	2002	2001	2002	2001
	K.Shs '000	K.Shs '000	K.Shs '000	K.Shs '000
Liabilities under guarantee	10,250	10,250	500	500

33. BUSINESS SEGMENT

The major part of the business of the Group falls under the category of growing, processing and selling tea and coffee with other income comprising less than 6% of the Group's total income.

34. FINANCIAL AND BUSINESS RISK MANAGEMENT

a) Interest rate risk:

The Group's policy is to manage its interest costs by relying primarily on overdraft facilities with its bankers. Any borrowings for specific projects or investments are negotiated on the basis of a fixed rate of interest.

b) Foreign currency risk:

The Group operates wholly within Kenya and its assets and liabilities are reported in local currency. Borrowings by the Group in foreign currency are repayable in foreign currency. Whilst some transactions and bank balances are in foreign currency, the Group had no significant foreign currency exposure as at 30th September 2002.

c) Credit risk:

A significant proportion of the Group's trading is through established auctions for both tea and coffee, and a small proportion via direct export contracts with known parties. The Group's exposure to credit risk is, therefore, minimal.

35. EMPLOYEES

The average number of employees within the Group during the period under review was 4,428 (2001 : 4,508).

36. COMPARATIVES

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year. In particular, the comparatives have been adjusted to take into account the effect of the prior year adjustments.

37. INCORPORATION

The company is incorporated in Kenya under the Companies Act.

38. CURRENCY

These financial statements are presented in Kenya Shillings (K.Shs).

SASINI TEA AND COFFEE LIMITED AND SUBSIDIARIES

FIVE YEAR COMPARATIVE STATEMENT

PRODUCTION AND SALES STATISTICS

		2002	2001	2000	1999	1998
TEA						
Area	- Hectares	1,354	1,301	1,243	1,220	1,220
Production	- Kilograms	7,544,289	7,240,302	7,067,005	6,888,213	6,809,212
Sales	- Kilograms	7,624,383	7,148,858	7,129,186	6,695,212	6,972,776
Net sales proceeds	- K.Shs / Kg	88.51	95.43	114.47	93.76	98.52
COFFEE						
Area	- Hectares	911	906	906	907	903
Production	- Tonnes	1,113	1,453	1,493	797	867
Sales	- Tonnes	1,224	1,392	1,380	700	890
Net sales proceeds	- K.Shs '000 / tonne	125	124	140	192	290

	K.Shs '000	K.Shs '000	K.Shs '000	K.Shs '000	K.Shs '000
RESULTS	848,445	874,602	1,017,484	766,361	955,799
TURNOVER					

(Loss) / profit before taxation and minority interests	(68,415)	36,436	161,594	49,981	209,182
Taxation	9,807	(24,114)	(52,954)	(28,597)	(84,865)
(Loss) / profit after taxation before minority interests	(58,608)	12,322	108,640	21,384	124,317
Minority interests	9,846	3,068	4,507	4,668	(2,611)
Exceptional item	41,822	-	(2,375)	-	-
Profit attributable to members of Sasini Tea and Coffee Limited	(6,940)	15,390	110,772	26,052	121,706
Dividend	(19,005)	(38,009)	(76,019)	(19,005)	(114,028)
Retained profit for the year transferred to reserves	(25,945)	(22,619)	34,753	7,047	7,678

ASSETS EMPLOYED

Property, plant and equipment	1,707,904	1,553,311	1,969,064	1,995,212	2,050,434
Prepaid leases- Leasehold land	13,898	13,931	-	-	-
Capital work in progress	2,268	4,416	1,157	1,334	596
Investments	11,385	147,178	114,061	112,874	111,940
Net current assets	224,855	242,038	313,695	243,651	236,009
	1,960,310	1,960,874	2,397,977	2,353,071	2,398,979

FINANCED BY

Share capital	190,046	190,046	190,046	190,046	190,046
Reserves	1,564,866	1,642,171	2,008,832	1,955,355	1,940,015
Proposed dividends	-	9,502	47,512	19,005	38,009
Shareholders' funds	1,754,912	1,841,719	2,246,390	2,164,406	2,168,070
Minority interests	89,418	53,564	67,652	72,990	78,933
Deferred Tax	32,925	65,591	83,935	115,675	151,976
Loans	83,055	-	-	-	-
Funds Employed	1,960,310	1,960,874	2,397,977	2,353,071	2,398,979

RATIOS

Earnings per share	(0.18)	0.40	2.91	0.69	3.20
Dividend per share	0.50	1.00	2.00	0.50	3.00
Dividend cover (times covered)	(0.37)	0.40	1.46	1.37	1.07
Funds employed per share	51.57	51.59	63.09	61.91	63.12

* The earnings and funds employed per share for prior years have been restated to take account of subsequent bonus issues.
 * Shareholders' funds for prior years have been restated to include proposed dividends for the particular year.

