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Company Information

Directors
A. P. Hamilton* (Chairman)
N. N. Merali, CBS
I. A. Timamy, CPS (Kenya)
M. N. Omar
A. H. Butt, CPA (Kenya), FCCA
M. H. Da Gama-Rose, BA
B. M. Williams
P. W. Muthoka, MBS, BA (Hons), MA, (Managing)
* *British*

Secretary
I. A. Timamy, CPS (Kenya)

Advocates
Shapley Barret and Co.
Advocates
P. O. Box 40286
00100 GPO
NAIROBI

Timamy and Company
Advocates
P. O. Box 87288
80100 GPO
MOMBASA

Registered office and principal place of business
Sasini House
Loita Street
P. O. Box 30151
00100 GPO
NAIROBI

Auditors
Ernst & Young
Certified Public Accountants of Kenya
P. O. Box 44286
00100 GPO
NAIROBI

Bankers
Barclays Bank of Kenya Limited
First American Bank of Kenya Limited
Equatorial Commercial Bank Limited

Notice of Meeting

Notice is hereby given that the 53rd ANNUAL GENERAL MEETING of the members will be held at the Grand Regency Hotel, Nairobi on Thursday, 17th February 2005 at 11.00 am for the following purposes:

1 To confirm the minutes of the 52nd Annual General Meeting held on 26th February 2004.

2 To receive, consider and if deemed fit, adopt the annual financial statements for the year ended 30th September 2004 together with the reports thereon of the Directors and of the Auditors.

3 To confirm the first interim dividend of 20% paid on 28th June 2004, and the second interim dividend of 30% payable on 10th January 2005.

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.

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 74 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 77 years, be and is hereby re-elected a director of the Company".

5 To confirm the Directors' emoluments and to fix their remuneration.

6 To appoint Ernst & Young as auditors for the ensuing year and to authorise the Directors to fix their remuneration.

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

By order of the Board

I. A. Timamy
Company Secretary
Nairobi,
09 December 2004

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.

* Immobilisation of shares:
The shares of the Company have been selected for depositing (immobilisation) with the Central Depository and Settlement Corporation Ltd (CDSC) with effect from 21st December 2004 pursuant to Central Depositories Act 2000. Effective 29th December 2004, no person will be able to trade in the shares of the Company unless they have opened a shares account(s) with the Central Depository, and deposited the shares in such accounts.

Members are, therefore, encouraged to open their shares accounts through a bonafide Central Depository Agent registered with the CDSC, and to deposit their certificate(s) through such an agent.

Kindly contact your stockbroker for assistance.

Ilani ya Mkutano

Ilani inatolewa hapa kuwa mkutano mkuu wa kila mwaka wa hamsini na tatu (53) wa wanachama utafanyika katika hoteli ya Grand Regency, Nairobi, Alhamisi, tarehe 17 Februari 2005, saa tano asubuhi kwa madhumuni yafuatayo:

1 Kuthibitisha matokeo ya mkutano mkuu wa hamsini na mbili (52) uliofanyika tarehe 26 Februari 2004.

2 Kupokea, kuchunguza na ikionekana sawa kuidhinisha taarifa za kifedha za mwaka uliomalizikia tarehe 30 Septemba 2004, pamoja na taarifa za wakurugenzi na wakaguzi wa hesabu kuhusiana na hesabu hizo.

3 Kuthibitisha mgao wa muda wa kwanza wa faida ya 20% uliolipwa tarehe 28 Juni, 2004, na mgao wa muda wa pili wa faida ya 30% uliolipwa tarehe 10 Januari, 2005.

4 a. Kuwachagua wakurugenzi :

i. N. N. Merali, mkurugenzi anayestaafu kwa zamu, ambaye kwa kuwa ana haki ya kuchaguliwa, anajitolea kuchaguliwa tena.

ii. M. N. Omar, mkurugenzi anayestaafu kwa zamu, ambaye kwa kuwa ana haki ya kuchaguliwa, anajitolea kuchaguliwa tena.

iii. A. H. Butt, mkurugenzi anayestaafu kwa zamu, ambaye kwa kuwa ana haki ya kuchaguliwa, anajitolea kuchaguliwa tena.

iv. I. A. Timamy, mkurugenzi anayestaafu kwa zamu, ambaye kwa kuwa ana haki ya kuchaguliwa, anajitolea kuchaguliwa tena.

v. B. M. Williams, mkurugenzi anayestaafu kwa zamu, ambaye kwa kuwa ana haki ya kuchaguliwa, anajitolea kuchaguliwa tena.

b. Ilani maalum inatolewa kwa kufuatana na kifungu 186(5) cha Sheria za Makampuni, kufikiria mapendekezo yafuatayo :

i. "Kwamba Bw. M. H. Da Gama-Rose, mkurugenzi aliyefikisha umri wa miaka 74, achaguliwe na hapa anachaguliwa tena mkurugenzi wa kampuni".

ii. "Kwamba Bw. A.P. Hamilton, ambaye ana umri wa miaka 77, achaguliwe na hapa anachaguliwa mkurugenzi wa kampuni".

5 Kuidhinisha malipo ya wakurugenzi na kuamua ujira wao.

6 Kuwachagua Ernst & Young kama wakaguzi wa hesabu wa mwaka unaofuata na kuwapa wakurugenzi idhini ya kuamua ujira wao.

7 Kushughulikia jambo lingine lolote linaloweza kushughulikiwa katika mkutano mkuu wa kila mwaka.

Kwa Amri ya Halmashauri

I. A. Timamy
Katibu Wa Kampuni
Nairobi
09 Desemba 2004.

Maelezo:

* Mwanachama mwenye haki ya kuhudhuria na kupiga kura katika mkutano huu aweza kuchagua mwakilishi kuhudhuria na kupiga kura kwa niaba yake na mwakilishi huyo si lazima awe mwanachama wa kampuni.

* Fomu ya uwakilishi imeshikanishwa.

* Uwekaji amana wa hisa:

Hisa za kampuni zimechaguliwa ziwekwe amana na Central Depository and Settlement Corporation Ltd (CDSC) kutoka tarehe 21 Desemba 2004 kulingana na Sheria ya Uwekaji Amana ya 2000. Kutokea 29 Desemba 2004, mtu yeyote hataweza kufanya biashara ya hisa za kampuni mpaka wawe wamefungua akaunti (au nyingi) ya hisa na makao makuu ya uwekaji amana na kuweka hisa hizo katika akaunti hizo.

Hivyo wanachama wanahimizwa kufungua akaunti hizi za hisa kupitia wakala wa kweli wa makao makuu ya amana aliyejisajili na CDSC na kuweka hati zao kupitia wakala huyo wa makao makuu ya uwekaji amana.

Tafadhali wasiliana na muuzaji hisa wako kwa usaidizi.

Chairman's Statement

The financial year 2003/04 has seen a general improvement in performance within the economies of most countries of the world. For us here in Kenya, this improvement has been underlined by better than expected corporate earnings in most sectors of the economy. The year, however, has also shown us the spectre of real hunger among some of our people arising from a prolonged drought in certain parts of the country. It was indeed gratifying to see an immediate and tangible response from all quarters of our economy to the President's appeal for help for the victims of famine in many parts of the country. As part of the efforts undertaken by the Sameer Group, our company was also actively involved in donating and distributing much needed food and other essential supplies to the needy.

For the agricultural sector, in particular, the year was marked by better than expected production and sales volumes across the tea growing areas west of the Rift Valley. The extremely dry weather conditions experienced in the Central and North-eastern parts of the country had a serious impact on volumes of both tea and coffee grown in these areas. The prices realised for both tea and coffee, however, were generally better than those of the previous financial year. Our Company managed to exceed its production and sales targets for both tea and coffee during the year, attaining highest recorded volumes of its production and sales of tea to date.

The biggest impact on our company's level of profitability for the 2003/04 financial year was, therefore, the combination of increased volumes of production at significantly better prices over the previous financial year. The results for the financial year 2003/04 show a profit after taxation and minority interests of K.Shs 102.6 million compared to a loss of K.Shs 67.2 million in the previous year. Such a significant turnaround in the Company's financial fortunes is principally attributed to improved crop level profitability within both our tea and coffee operations. Our tea operations, in particular, produced an excellent result, with crop level profits up from K.Shs 73.7 million in 2002/03 to K.Shs 224.6 million in the current financial year. The Company's coffee crop income was also supplemented greatly by sales of livestock, timber and hay during the year. The improved profitability across all our operations was also augmented further by favourable exchange rates as a result of the depreciated levels for the Kenya Shilling.

Our tea production for the financial year was a record 8.7 million kilograms, produced entirely from our own factories. This compared to 6.6 million kilograms produced from our factories during the previous year. This record production was made up of 5.4 million kilograms (61.8 %) from green leaf from our own estates, with the balance 3.3 million kilograms (38.2 %) produced from green leaf sourced from our regular outgrowers. Tea sales for the year also increased to a record 8.6 million kilograms compared to the 6.6 million kilograms achieved during the previous year. Of the total quantity of tea sold during the year, 93% was sold through the auctions in Mombasa, with the remaining 7% sold directly through private treaty contracts. This compared with 90% and 10% respectively for the previous year.

Our average sales price per kilogram of tea for the year was up by some 13% to K.Shs 100.51 from K.Shs 89.21 for the previous year. This increase in price was largely realised during the early part of the financial year when the international market was stronger, and when the full impact of the increased leaf supply across the industry had not been experienced. Fortunately, the lower price realisations towards the latter half of the financial year did not have a significant impact on profitability within our tea operations, due to significantly increased volumes of production.

Since the end of our financial year, production levels of tea across the country have continued to remain very high. This has had the effect of lowering prices for tea realised at the auctions as well as for private treaty sales. Any meaningful improvement in tea prices in the near future will be dependent upon supply side adjustments in the quantities available for sale at the auction. Operating costs within our tea sector continued to be monitored very closely during the current financial year, and efforts to reduce costs further where possible will continue to be a priority.

Taarifa ya Mwenyekiti

Mwaka 2003/2004 wa kifedha umekuwa na maendeleo kwa jumla katika utendaji wa chumi za nchi nyingi za ulimwengu. Kwetu sisi hapa Kenya, maendeleo haya yameonyeshwa na mapato mazuri ya shirika kuliko yalivyotarajiwa katika karibu sekta zote za uchumi. Ijapokuwa, mwaka huu pia umetuletea tishio la njaa ya kweli miongoni mwa baadhi ya watu wetu iliyoletwa na ukame ulioendelea katika maeneo fulani ya nchi. Kwa kweli inafurahisha kuona uitikio wa dhahiri na wa haraka kutoka sehemu zote za uchumi wetu kwa ombi la Rais la msaada kwa waathiriwa wa baa la njaa katika maeneo mengi nchini. Kama baadhi ya juhudi zinazotekelezwa na kundi la Sameer, pia kampuni yetu ilihusika kikamilifu katika kutoa msaada na kugawanya chakula kinachohitajika sana na bidhaa nyingine muhimu kwa wahitaji.

Katika sekta ya kilimo, mwaka huu hasa ulikuwa na viwango zaidi ya ilivyotarajiwa vya uzalishaji na mauzo katika maeneo ya ukuzaji chai magharibi ya Bonde la Ufa. Hali kavu sana za hewa zilizotokea katika sehemu za kati na kaskazini mashariki za nchi zilikuwa na athari kubwa sana kwenye viwango vya zote chai na kahawa zinazokuzwa katika maeneo haya. Ijapokuwa, bei zilizopatikana za zote chai na kahawa zilikuwa nzuri kwa jumla kuliko zile za mwaka wa kifedha uliopita. Kampuni yetu iliweza kupitisha viwango vya matarajio ya uzalishaji na mauzo kwa zote chai na kahawa katika mwaka, ikipata viwango vya juu kabisa vilivyorekodiwa vya uzalishaji wake na mauzo ya chai hadi leo.

Kwa hivyo, athari kubwa zaidi kwenye kiwango cha faida cha kampuni yetu kwa mwaka 2003/04 ilikuwa mchanganyiko wa viwango vilivyoongezeka vya uzalishaji kwa bei zilizokuwa nzuri zaidi kuliko mwaka wa kifedha uliopita. Matokeo ya mwaka wa kifedha 2003/04 yanaonyesha faida baada ya utoaji ushuru na wenye hisa ndogo ya Kshs milioni 102.6 ikilinganishwa na hasara ya Kshs milioni 67.2 mwaka uliopita. Mageuzo haya makubwa hasa katika rasilimali ya kifedha ya kampuni yanatokana na faida ilioongezeka ya viwango vya mazao katika shughuli za zote chai yetu na kahawa. Shughuli zetu za chai hasa zilipata matokeo mazuri sana, na faida ya viwango vya mazao kuongezeka kutoka Kshs milioni 73.7 katika mwaka 2002/03 hadi Kshs milioni 224.6 katika mwaka wa kifedha tulionao. Pato la kampuni la zao la kahawa pia liliongezeka zaidi katika mwaka na mauzo ya mifugo, mbao na nyasi kavu. Faida ilioongezeka katika shughuli zetu zote pia ilizidishwa na viwango vya ubadilishaji fedha vinavyoridhisha kutokana na kupungua kwa thamani ya shilingi ya Kenya.

Uzalishaji wetu wa chai katika mwaka wa kifedha ulikuwa ni rekodi ya kilo milioni 8.7, iliozalishwa yote kutoka viwanda vyetu wenyewe. Hii inalinganishwa na kilo milioni 6.6 iliozalishwa katika viwanda vyetu mwaka uliopita. Rekodi hii ya uzalishaji ilijumlisha kilo milioni 5.4 (61.8%) zilizotokana na majani kijani kutoka katika mashamba yetu wenyewe na mabaki la kilo milioni 3.3 (38.2%) yaliyozalishwa kutoka majani kijani yaliyopatikana kutoka kwa wapanzi wetu wa kawaida. Mauzo ya chai katika mwaka pia yaliongezeka kuwa rekodi kilo milioni 8.6 ikilinganishwa na kilo milioni 6.6 zilizopatikana katika mwaka uliopita. Idadi ya jumla ya chai iliouzwa katika mwaka, 93% iliuzwa kwenye minada Mombasa, na 7% iliobakia iliuzwa moja kwa moja kupitia mikataba ya kibinafsi. Hii ikilinganishwa na 90% na 10% mtawalia katika mwaka uliopita.

Bei yetu ya wastani ya mauzo kwa kilo ya chai kwa mwaka iliongezeka kwa 13% kuwa Kshs 100.51 kutoka Kshs 89.21 mwaka uliopita. Ongezeko hili katika bei lilipatikana hasa mapema katika mwaka wa kifedha wakati soko la kimataifa lilikuwa na nguvu na wakati athari kamili ya ongezeko la ugavi wa majani kote katika biashara halijapatikana. Kwa bahati, bei za chini zilizopatikana kuelekea nusu ya pili ya mwaka wa kifedha haikuwa na athari kubwa kwenye faida katika shughuli zetu za chai kutokana na kuongezeka kwa viwango vya uzalishaji.

Kutokea mwisho wa mwaka wetu wa kifedha, viwango vya uzalishaji kote nchini vimeendelea kubakia vya juu sana. Hii imekuwa na athari ya kuteremsha bei za chai zilizopatikana katika minada na pia kwa mauzo ya mikataba ya kibinafsi. Ongezeko lolote la maana katika bei za chai katika siku za karibuni litategemea marekebisho katika upande wa ugavi wa viwango vilivyopo vya mauzo katika mnada. Gharama za uendeshaji katika sekta yetu ya chai ziliendelea kuchunguzwa kwa makini katika mwaka uliopo wa kifedha na juhudi za kupunguza gharama zaidi pale inapowezekana zitaendelea kupewa kipaombele.

Chairman's Statement

continued

The main objective for the coming financial year would be to maintain, as a basic minimum, the profitability levels already attained during the current year. Greater focus will be also directed to activities that will add value to the profitability within our tea operations.

For the first time in the last four or so years, our coffee operations have seen a reversal in the trend of losses being incurred due to lower production levels and the generally depressed international market prices. Production levels for the year were marginally better than our estimates, and hopefully show a welcome upward trend for the year to come. A total production of 1,026 metric tonnes of coffee was achieved during the year compared to 993 metric tonnes for the previous year. Our total sales of coffee for the year were 1,205 metric tonnes compared to 917 metric tonnes sold in the previous year. A combination of improved quality of the Kenyan coffee crop, together with renewed demand from overseas roasters, has resulted in significantly better price realisations being achieved during the current financial year. Our average sales price per metric tonne improved by 31.6 % to K.Shs 140,619 from the low level of K.Shs. 106,852 for the previous year. This has provided a much boost in confidence to the coffee sector of the country.

In my statement last year, I had informed you of the Board's decision to instruct "Management to actively look at meaningful alternatives to coffee". I am happy to report that a decision to partially diversify into horticulture at our coffee estates was taken towards the end of August 2004. The company has commenced cultivating a target of 40 HA of Garden Peas in our Mweiga Estate, 10 HA of French Beans in our Doondu Estate and up to 17 HA of Artimisia Annua also at our Doondu Estate. It is anticipated that these targets will be met by the beginning of February 2005. In the meantime, income from the sale of our Garden Peas has already started coming into the company since the end of October 2004. On the tea side, Management has already embarked on a very profitable "Factory Door Sales" programme with effect from November 2004. The Company is also actively looking into the feasibility of setting up a packing facility for tea, coffee and horticultural products in the near future.

For our coffee operations, the Company acquired a 100% interest in a trading subsidiary called Aristocrats Coffee and Tea Exporters Limited at the beginning of October 2004. The company has already engaged in the trading of both tea and coffee during the current financial year. It is envisaged that these trading activities will be extended to include horticulture and dairy produce in the future.

Prospects for the coming financial year, therefore, look promising as far as the Company's diversification and value addition plans are concerned. Favourable climatic conditions and better international prices for our tea and coffee crops, however, still remain essential prerequisites for improved profitability and returns for our shareholders. The Board is confident that the company will build on the gains achieved in 2003/04 to improve on the profitability and pave way for regular dividend payments.

On behalf of the Board, may I take this opportunity to thank all Sasini staff members for their dedication, determination and hard work in putting into place various measures aimed at enhancing returns to the shareholders' investment in the Company. On a more personal note, I wish to express my appreciation to my fellow Board Members for their support and commitment as we collectively work towards achievement of our objectives in 2005 and beyond.

Finally, please accept our special thanks to you, our Shareholders, for the support you have continued to accord the Directors. We appreciate your continued endorsement of the Board's initiatives in realising the Company's full potential.

A. P. Hamilton

Lengo kuu la mwaka wa kifedha unaokuja litakuwa kuendeleza viwango vya faida vilivyofikiwa tayari katika mwaka tulionao kama kima cha kimsingi. Msisitizo mkuu zaidi pia utawekwa kwenye shughuli ambazo zitaongeza thamani ya faida katika shughuli zetu za chai.

Kwa mara ya kwanza katika miaka minne au zaidi iliopita, shughuli zetu za kahawa zimepata upinduzi katika mwelekeo wa hasara inayopatikana kutokana na viwango vidogo vya uzalishaji na bei za soko la kimataifa zilizoanguka kwa jumla. Viwango vya uzalishaji vya mwaka vilikuwa bora kidogo kuliko makadirio yetu, na ni matumaini kuwa vinaonyesha mwelekeo wa kupanda katika mwaka unaokuja. Jumla ya uzalishaji wa tani 1,026 za kahawa zilipatikana katika mwaka ikilinganishwa na tani 993 za mwaka uliopita.Jumla ya mauzo ya kahawa yetu mwaka huu yalikuwa tani 1,205 yakilinganishwa na tani 917 yaliouzwa mwaka uliopita. Mchanganyiko wa kuongezeka kwa ubora wa kahawa ya Kenya pamoja na mahitaji mapya kutoka kwa waokaji wa ng'ambo, umesababisha kupatikana kwa bei nzuri zaidi katika mwaka uliopo wa kifedha. Mauzo yetu ya wastani kwa tani yaliongezeka kwa 31.6% kuwa Kshs 140,619 kutoka kiwango cha chini cha Kshs 106,852 katika mwaka uliopita. Hii imesababisha ongezeko zaidi la imani kwa sekta ya kahawa ya nchini.

Mwaka jana katika taarifa yangu niliwajuza kuhusu uamuzi wa Halmashauri kuamuru "usimamizi kutafuta kwa bidii vibadala vyenye maana kwa kahawa." Ninafuraha kuripoti kuwa uamuzi kupanua kwa sehemu kilimo cha bustani katika mashamba yetu ya kahawa ulichukuliwa kufikia mwishoni mwa Agosti 2004. Kampuni imeanzisha kupanda shabaha ya hekta 40 za njegere katika shamba letu la Mweiga, hekta 10 za maharagwe katika shamba letu laa Doondu na karibu hekta 17 za Artimisia Annua pia katika shamba letu la Doondu. Inatarajiwa kuwa shabaha hizi zitakamilishwa kufikia mwanzoni mwa Februari 2005 . Kwa wakati huu, mapato kutoka kwa mauzo ya njegere zetu yameanza kupatikana na kampuni kutokea mwisho wa Oktoba 2004. Kwa upande wa chai, usimamizi umeanza mpango wa "mauzo mlangoni mwa kampuni" wenye faida sana kutokea Novemba 2004. Kampuni pia inashughulikia kwa bidii uwezekano wa kuanzisha kiwanda cha kufungia chai, kahawa na bidhaa za kilimo cha bustani katika siku za karibuni.

Kwa shughuli zetu za kahawa, kampuni imenunua hisa 100% katika kampuni ndogo ya kibiashara inayoitwa Aristocrats Coffee and Tea Exporters Ltd mwanzoni mwa Oktoba 2004. Tayari kampuni imeanza kuuza zote chai na kahawa katika mwaka wa kifedha uliopo. Inafikiriwa kuwa shughuli hizi za biashara zitapanuliwa kujumuisha mazao ya kilimo cha bustani na maziwa katika siku za usoni.

Kwa hivyo, matarajio ya mwaka wa kifedha unaokuja yanaonekana mazuri kulingana na mipango ya kampuni ya kupanuka kibiashara na kuongeza thamani. Bado hali nzuri za hewa na bei nzuri za kimataifa kwa mazao yetu ya chai na kahawa zinabakia masharti muhimu kwa ongezeko la faida na mapato kwa wenye hisa wetu. Halmashauri ina imani kuwa kampuni itatia bidii kwenye chumo lililopatikana katika 2003/04 kuongezea faida na kufikia kutoa malipo ya gawio ya mara kwa mara.

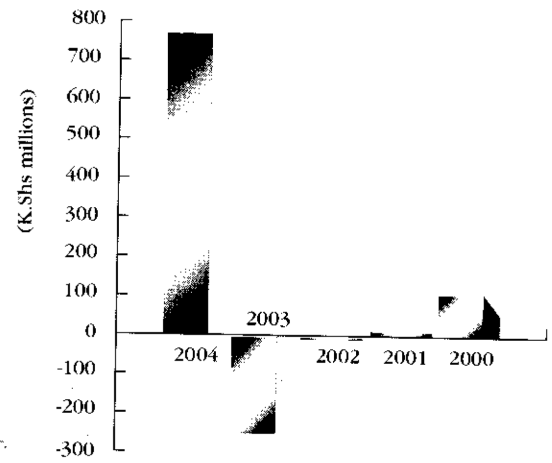
Kwa niaba ya Halmashauri, naomba kuchukua fursa hii kuwashukuru wafanyikazi wote wa Sasini kwa kujitolea kwao, ari na kazi ngumu katika kutekeleza masuluhisho tofauti yaliyonuiwa kuendeleza mapato ya uegeshaji wa wanahisa katika kampuni. Katika kiwango cha kibinafsi zaidi, ningependa kutoa shukrani zangu kwa wanachama wenzangu wa Halmashauri kwa usaidizi wao wa kujitolea tunapofanya kazi pamoja kutekeleza malengo yetu katika 2005 na mbeleni.

Mwishowe, tafadhali pokeeni shukrani zetu maalum kwenu nyinyi wanahisa wetu kwa usaidizi munaoendelea kuwapatia Wakurugenzi. Tunathamini kutuunga mkono kwenu kunakoendelea katika ari za Halmashauri kufikia uwezo kamili wa kampuni.

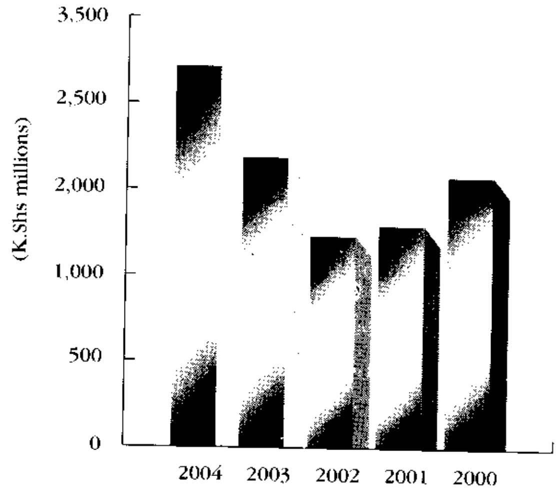
A. P. Hamilton

Graphical Information

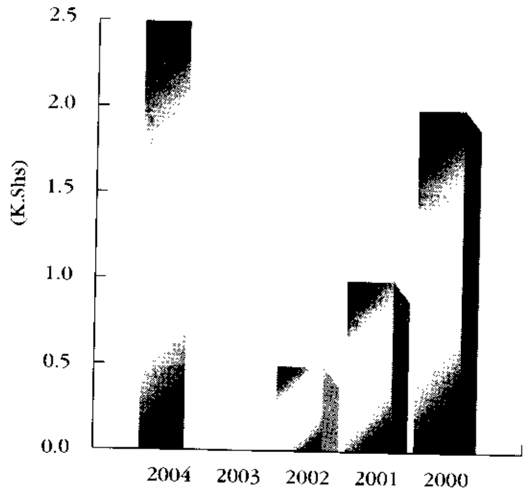
Profit attributable to the members
K.Shs millions



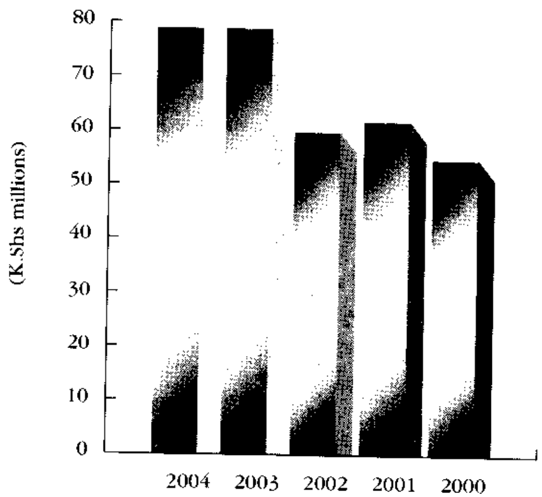
Shareholders' Funds



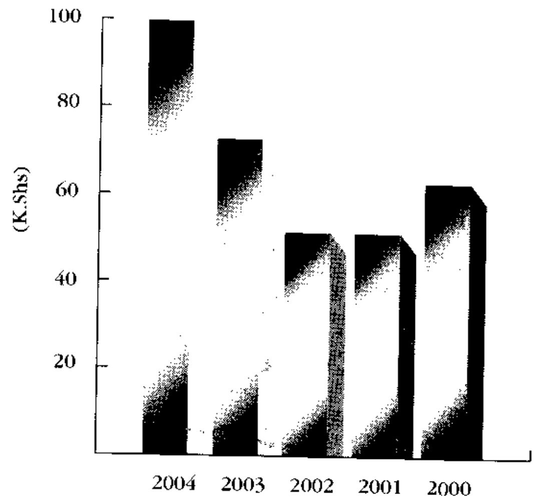
Dividends per Share



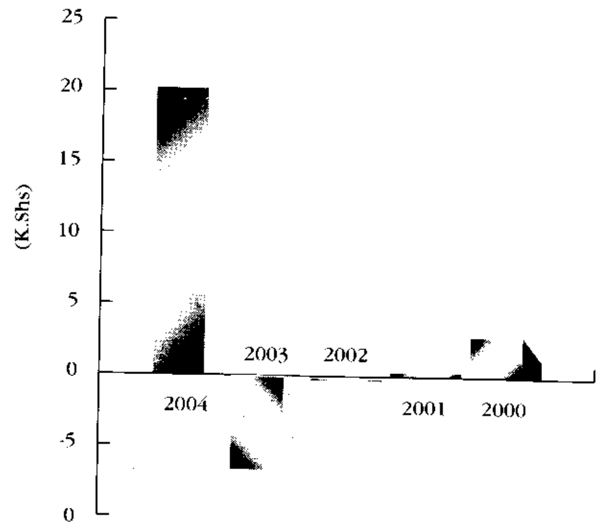
Kenya Shilling / US Dollar Exchange Rates



Net Assets per Share K.Shs



Earnings per Share



Salient Features & Financial Calendar

		2004	2003
TURNOVER	K.Shs '000	1,039,639	858,171
Profit / (Loss) attributable to the members	K.Shs '000	771,162	(250,307)
Dividend per ordinary share	K.Shs	2.50	-
Shareholders' Funds	K.Shs '000	3,138,077	2,401,308

Annual Report and Financial Statements circulated in January 2005.

DIVIDENDS

Interim	K.Shs 1.00 per share	paid on 28 June 2004
Second interim	K.Shs 1.50 per share	paid on 10 January 2005

STATISTICS

The statistics below relating to the Group's tea and coffee activities give a comparison of the results achieved in the last two years. A five year comparative statement is given on pages 45 - 46.

		TEA		COFFEE	
		2004	2003	2004	2003
Area	Hectares	1,417	1,354	912	911
Production	Tonnes	8,736	8,227	1,026	987
Sales	Tonnes	8,576	8,198	1,205	917
Net sales proceeds:					
Tea	K.Shs / Kg	100.51	90.25	-	-
Coffee	K.Shs '000 / Tonne	-	-	141	107

Report of the Directors

The Directors have pleasure in presenting their annual report and the audited financial statements for the year ended 30 September 2004 which show the state of affairs of the Group and the Company.

Activities

The principal activities of the Company and its subsidiaries is the growing and processing of tea and coffee, investment in equity and property, forestry, dairy operations and breeding of beef cattle and horticulture.

Group Results and Dividends

		2004 K.Shs '000	2003 K.Shs '000
Net profit / (loss) attributable to the members		771,162	(250,307)
Interim dividend paid	20% (2003:NIL)	(38,009)	-
Second interim dividend paid	30% (2003:NIL)	(57,014)	-
Balance transferred to / (from) reserves		676,139	(250,307)

Share Capital and Reserves

The authorised and issued share capital of the Company at 30 September 2004 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 21 and 22 of the financial statements.

Property, Plant and Equipment

Details of the movements in Property, plant and equipment are shown in note 3 to the financial statements.

Directors

Details of the Board of Directors are set out on page 2.

Messrs. N. N. Merali, M. N. Omar, A. H. Butt, I. A. Timamy, and B. M. Williams 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 74 years of age and 77 years of age respectively, seek re-election under the provisions of Section 186(5) of the Companies Act.

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 % 2004	Shareholding % 2003
Legend Investments Limited	41.84	41.84
East Africa Batteries Limited	15.13	11.01
Yana Towers Limited	12.92	12.92

Acquisition of shares in Aristocrats Coffee and Tea Exporters Ltd.

The Company acquired a 100% interest in a trading company, Aristocrats Coffee and Tea Exporters Limited in October 2004, adding to its list of subsidiary companies. This new company, acquired with the view to establishing an important niche for our produce in the international markets, will engage in the trading of tea, coffee, dairy produce and horticulture.

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
09 December 2004

Repoti ya Wakurugenzi

Wakurugenzi wanafuraha kuwakilisha taarifa yao ya mwaka na taarifa za hesabu zilizokaguliwa za mwaka ulioishia tarehe 30 Septemba 2004 zinazoonyesha hali ilivyo ya kundi na kampuni.

Shughuli
Shughuli muhimu za kampuni na kampuni zake ndogo ni ukuzaji na utengenezaji wa majani chai na kahawa, uwekaji rasilimali kwenye hisa zisizo na riba ya kudumu na mali nyingine, biashara ya misitu, shughuli za maziwa na ufugaji wa ng'ombe wa nyama na kilimo cha bustani.

Matokeo ya kundi na Mgao wa faida		2004 K.Shs '000	2003 K.Shs '000
Faida / (Hasara) ya jumla kwa wanachama		771,162	(250,307)
Malipo ya mgao wa muda yaliyolipwa	20% (2003:Kapa)	(38,009)	-
Malipo ya mgao wa muda wa pili yaliyolipwa	30% (2003:Kapa)	(57,014)	-
Faida iliobakishwa na kuhamishwa kwenye (kutoka) akiba		676,139	(250,307)

Rasilimali ya hisa na akiba
Rasilimali ya hisa za kampuni zilizoidhinishwa na kutolewa kufikia tarehe 30 Septemba 2004 na mambo yanayohusiana nazo yanaonyeshwa katika tanbihi ya 9 ya taarifa za kifedha.

Maelezo kamili ya kundi na akiba ya kampuni na mienendo yake katika mwaka yameonyeshwa katika kurasa za 21 na 22 za hesabu.

Mali, mtambo na vifaa
Maelezo ya mienendo ya mali, mtambo na vifaa yanaonyeshwa katika tanbihi 3 ya taarifa za kifedha.

Wakurugenzi
Maelezo ya Halmashauri ya Wakurugenzi yanaonyeshwa katika ukurasa wa 2.

Mabwana N. N. Merali, M. N. Omar, A. H. Butt, I. A. Timamy na B. M. Williams wanastaafu kwa zamu, na kwa kuwa wanastahili, wanajitolea kuchaguliwa tena.

Mabwana M. H. Da Gama-Rose na A. P. Hamilton pia wanastaafu kwa zamu na kwa kuwa wana umri wa miaka 74 na 77 mtawalia wanataka kuchaguliwa tena chini ya kipengee cha sehemu 186(5) cha Sheria za Makampuni.

Umilikaji wa hisa nyingi
Wakurugenzi wanafahamu kuhusu makampuni yanayofuata yanayomiliki asilimia 5 au zaidi ya rasilimali za hisa zilizotolewa za kampuni.

	Umilikaji wa hisa %	
	2004	**2003**
Legend Investments Limited	41.84	41.84
East Africa Batteries Limited	15.13	11.01
Yana Towers Limited	12.92	12.92

Ununuaji wa hisa katika Aristocrats Coffee and Tea Exporters Ltd
Kampuni imenunua hisa 100% katika kampuni ya kibiashara, Aristocrats Coffee and Tea Exporters Limited mwezi Oktoba 2004, hivyo kuongezea orodha ya kampuni ndogo. Kampuni hii mpya ilionunuliwa kwa nia ya kuanzisha soko linalofaa kwa mazao yetu katika masoko ya kimataifa itajishughulisha na uuzaji wa chai, kahawa, mazao ya maziwa na kilimo cha bustani.

Wakaguzi wa hesabu
Ernst & Young wameonyesha ridhaa ya kuendelea na wadhifa huo kwa kufuatana na sehemu 159(2) ya Sheria za Makampuni.

Kwa Amri ya Halmashauri

I. A. Timamy
Katibu wa Kampuni
Nairobi
09 Desemba 2004.

Corporate Governance

Sasini Tea and Coffee Limited is committed to the rules and guidelines of the Capital Market Authority on Corporate Governance. 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 audit committee also defines the scope and responsibilities of the Company's internal auditors. The external auditors, 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. This committee also oversees the Company's Information Technology programmes.

The Board appoints other committees as and when required.

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 in the national press of its half-yearly and annual results.

In this regard, the Company complies with the 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 ended 2004 is disclosed in Note 23 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.

Social and Environmental Responsibility

The Company is mindful of its responsibilities with regard to the social welfare of its employees and their families. To this end, the Company provides primary education, health and social facilities at its tea and coffee estates.

Environmental issues such as the destruction of indigenous forests and their impact on weather patterns in the country are also of concern to our Company. In this regard, we maintain our own fuel wood areas through an intensive and sustained afforestation program.

The Company not only earns essential foreign exchange through the sale of its produce, but also makes a significant contribution through the payment of taxes, cess and other levies to the Government and Local Authorities.

Directors' Interest

Directors' interests in the shares of the Company as at 30 September 2004 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

Shareholding	Number of Shareholders	Number of Shares held	% Shareholding
Less than 500	710	83,575	0.22
500 - 5,000	456	1,232,050	3.24
5,001 - 10,000	108	981,470	2.58
10,001 - 100,000	133	3,900,785	10.26
100,001 - 1,000,000	20	4,038,544	10.63
Above 1,000,000	4	27,772,826	73.07
Total	1,431	38,009,250	100.00

Major Shareholders

The ten major shareholders of the Company as at 30 September 2004 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.	5,753,066	15.13
3	Yana Towers Limited	4,911,774	12.92
4	UAP Provincial Insurance Co. Ltd.	1,205,094	3.17
5	John Kibunga Kimani	506,147	1.33
6	Goodwill (Nairobi) Limited. - M01102 A/C	327,897	0.86
7	Swani Coffee Estate Limited	319,379	0.84
8	Stanbic Nominees Kenya Ltd - A/C SCKPF	299,000	0.78
9	The Co-operative Bank of Kenya Ltd - CSC A/C1035	262,375	0.69
10	Chemai Limited	225,000	0.59

Statement of Directors' Responsibilities on the Financial Statements

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, 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 } **Directors**
P. W. Muthoka }

09 December 2004

Report of the Independent Auditors to the members of Sasini Tea and Coffee Limited and Subsidiaries

ERNST & YOUNG

Certified Public Accountants
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Kenya

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Website: www.ey.co.ke

We have audited the financial statements set out on pages 17 to 44 for the year ended 30 September 2004, which have been prepared on the basis of the accounting policies set out on pages 23 to 25. 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 15, 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 2004 and of the profit and cash flows for the year then ended and comply with International Financial Reporting Standards and the Kenyan Companies Act.

Ernst & Young
Certified Public Accountants (Kenya)
Nairobi
09 December 2004

Consolidated Balance Sheet

30 SEPTEMBER 2004

	Note	2004 K.Shs '000	2003 K.Shs '000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	3(a)	685,454	706,275
Biological assets	3(e)	2,732,955	1,755,363
Prepaid leases - leasehold land	3(d)	13,832	13,865
Capital work-in-progress	3(c)	10,035	6,577
Other investments	5	6,913	6,060
		3,449,189	2,488,140
CURRENT ASSETS			
Stocks	6	112,240	107,552
Trade and other debtors	7	117,910	111,610
Taxation recoverable	14	8,592	10,818
Cash and cash equivalents		331,351	232,200
		570,093	462,180
TOTAL ASSETS		**4,019,282**	**2,950,320**
SHAREHOLDERS' FUNDS AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	9	190,046	190,046
Reserves	10	2,891,017	2,211,262
Proposed dividend		57,014	-
		3,138,077	2,401,308
MINORITY INTERESTS		68,946	63,260
NON- CURRENT LIABILITIES			
Deferred tax	12	590,503	311,737
CURRENT LIABILITIES			
Creditors	13	220,791	173,499
Bank overdraft	15	965	517
		221,756	174,016
TOTAL SHAREHOLDERS' FUNDS AND LIABILITIES		**4,019,282**	**2,950,320**

The financial statements set out on pages 17 to 44 were approved by the Board of Directors on 9 December 2004 and signed on its behalf by:

A. P. Hamilton } **Directors**
P. W. Muthoka }

Company Balance Sheet

30 SEPTEMBER 2004

	Note	2004 K.Shs '000	2003 K.Shs '000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	3(b)	363,058	367,953
Biological assets	3(e)	533,614	265,675
Prepaid leases - leasehold land	3(d)	689	707
Investment in subsidiary companies	4	14,797	14,797
Other investments	5	1,298	1,298
		913,456	650,430
CURRENT ASSETS			
Stocks	6	20,998	26,583
Amount due from subsidiary companies	8	2,822	237
Trade and other debtors	7	19,244	23,006
Taxation recoverable		8,179	6,231
Dividend receivable		100,000	-
Cash and cash equivalents		64,303	88,058
		215,546	144,115
TOTAL ASSETS		**1,129,002**	**794,545**
SHAREHOLDERS' FUNDS AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	9	190,046	190,046
Reserves	10	733,240	535,669
Proposed dividends	11	57,014	-
		980,300	725,715
NON-CURRENT LIABILITIES			
Deferred tax	12	114,278	29,313
CURRENT LIABILITIES			
Creditors	13	34,424	29,133
Amount due to subsidiary companies	8	-	10,339
Bank overdraft	15	-	45
		34,424	39,517
TOTAL SHAREHOLDERS' FUNDS AND LIABILITIES		**1,129,002**	**794,545**

The financial statements set out on pages 17 to 44 were approved by the Board of Directors on 9 December 2004 and signed on its behalf by:

A. P. Hamilton }
P. W. Muthoka } **Directors**

Consolidated Profit and Loss Account

YEAR ENDED 30 SEPTEMBER 2004

	Note		2004		2003
			K.Shs '000		K.Shs '000
Turnover	16		1,039,639		858,171
Gains / (losses) arising from changes in fair value less estimated point of sale costs			965,498		(269,147)
Cost of sales	17		(731,394)		(722,399)
Gross profit / (loss)			1,273,743		(133,375)
Other operating income	18		46,081		30,781
			1,319,824		(102,594)
Administration and establishment expenses	19		(204,161)		(244,771)
Selling and distribution expenses	20		(8,901)		(7,959)
Other charges and expenses	21		(1,059)		(1,093)
Profit / (loss) from operations			1,105,703		(356,417)
Finance costs	22		(1,566)		(8,538)
Profit / (loss) before tax, minority interests and exceptional item	23		1,104,137		(364,955)
Exceptional item	24		-		2,049
			1,104,137		(362,906)
Taxation	14		(327,473)		103,617
Profit / (loss) after tax and before minority interests			776,664		(259,289)
Minority interests			(5,502)		8,982
Profit / (loss) attributable to the members			**771,162**		**(250,307)**
Profit / (loss) arising from operating activities			102,597		(67,224)
Profit / (loss) arising from changes in fair value of biological assets			668,565		(183,083)
Profit / (loss) attributable to the members			**771,162**		**(250,307)**
Earnings / (loss) per share	25	(K.Shs)	**20.29**	(K.Shs)	**(6.59)**
Dividends			K.Shs'000		K.Shs'000
Interim dividend paid in the year	11		38,009		-
Second interim dividend proposed for the year	11		57,014		-
Total dividends for the year			**95,023**		-

Consolidated Cash Flow Statement

YEAR ENDED 30 SEPTEMBER 2004

	Note	2004 K.Shs '000	2003 K.Shs '000
OPERATING ACTIVITIES			
Cash generated from operations	30	208,946	73,049
Interest paid		(1,566)	(7,736)
Income taxes paid		(42,680)	(8,099)
Net cash from operating activities		**164,700**	**57,214**
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	3(a)	(29,117)	(21,883)
Purchase of biological assets	3(e)	(12,094)	(9,444)
Work in progress		(3,458)	(4,309)
Dividend received from trade investments		934	934
Interest received		2,285	3,180
Proceeds on sale of property, plant and equipment		1,108	970
Proceeds on sale of investment in shares		-	7,280
Purchase of investments		(853)	-
Proceeds from disposal of Subsidiary, net of cash disposed	32	-	49,927
Net cash from / (used by) investing activities		**(41,195)**	**26,655**
FINANCING ACTIVITIES			
Loans repayment on disposal of subsidiary		-	(25,354)
Dividend paid on ordinary shares		(38,009)	-
Net cash (used in) financing activities		**(38,009)**	**(25,354)**
Net increase in cash and cash equivalents		**85,496**	**58,516**
Cash and cash equivalents at the beginning of the year		231,683	166,205
Effect of exchange rate changes		13,207	6,962
Cash and cash equivalents at the end of the year	26	**330,386**	**231,683**

Statement of changes in Equity

YEAR ENDED 30 SEPTEMBER 2004

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 2002		190,046	1,044,970	519,896	-	1,754,912
Prior year adjustments	26	-	1,269,257	(380,777)	-	888,480
As restated		190,046	2,314,227	139,119	-	2,643,392
Excess depreciation on revaluation		-	(30,941)	30,941	-	-
Release of depreciation on disposal		-	(96)	96	-	-
Loss attributable to the members		-	-	(250,307)	-	(250,307)
Adjustment on disposal of Subsidiary		-	-	142	-	142
Deferred tax	12	-	8,080	-	-	8,080
At 30 September 2003		**190,046**	**2,291,270**	**(80,009)**	**-**	**2,401,307**
At 1 October 2003		190,046	1,022,013	483,851	-	1,695,910
Prior year adjustments		-	1,269,257	(563,860)	-	705,397
As restated		190,046	2,291,270	(80,009)	-	2,401,307
Excess depreciation on revaluation		-	(16,895)	16,895	-	-
Profit attributable to the members		-	-	771,162	-	771,162
Deferred tax	12	-	3,617	-	-	3,617
Interim dividend for 2004		-	-	(38,009)	-	(38,009)
Second interim dividend proposed for 2004		-	-	(57,014)	57,014	-
At 30 September 2004		**190,046**	**2,277,992**	**613,025**	**57,014**	**3,138,077**

Statement of changes in Equity

YEAR ENDED 30 SEPTEMBER 2004

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 2002		190,046	435,124	48,241	-	673,411
Prior year adjustments	26	-	220,460	(66,138)	-	154,322
As restated		190,046	655,584	(17,897)	-	827,733
Excess depreciation on revaluation		-	(12,821)	12,821	-	-
Loss attributable to the members		-	-	(105,247)	-	(105,247)
Deferred tax	12	-	3,229	-	-	3,229
At 30 September 2003		**190,046**	**645,992**	**(110,323)**	**-**	**725,715**
At 1 October 2003		190,046	425,532	24,499	-	640,077
Prior year adjustments		-	220,460	(134,822)	-	85,638
As restated		190,046	645,992	(110,323)	-	725,715
Excess depreciation on revaluation		-	(2,894)	2,894	-	-
Profit attributable to the members		-	-	292,342	-	292,342
Deferred tax	12	-	252	-	-	252
Interim dividend for 2004		-	-	(38,009)	-	(38,009)
Proposed dividend for 2004		-	-	(57,014)	57,014	-
At 30 September 2004		**190,046**	**643,350**	**89,890**	**57,014**	**980,300**

Notes to the Financial Statements

YEAR ENDED 30 SEPTEMBER 2004

1 SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared in accordance with and comply with International Financial Reporting Standard (IFRS).

The principal accounting policies adopted in the preparation of these financial statements as set out below include the implementation of the provisions of International Accounting Standard (IAS) No. 41 with regards to Agricultural activity.

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 2004

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 statements.

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.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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:

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

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

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.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

Biological assets

Biological assets are measured at fair value less estimated point of sale costs. Any changes to the fair value are recognized in the profit and loss account in the year in which they arise.

The fair value of livestock is determined based on the market prices of livestock of similar age, breed and sex. Where meaningful market determined prices do not exist to assess the fair value of the company's other biological assets, the fair value is determined based on the net present value of expected future cash flows, discounted at appropriate pre-tax rate.

All costs incurred relating to biological assets are recognized in the profit and loss account in the period in which they are incurred.

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.

Segment Information

Segment results include revenue and expenses directly attributable to a segment.

Segment assets comprise intangible assets, property, plant and equipment, inventories, accounts receivable as well as prepaid expenses and accrued income except those relating to interest and taxes.

Segment total assets exclude prepaid expenses and accrued income relating to taxes and deferred tax assets.

Segment liabilities comprise account payables, prepaid income, accrued expenses and provisions except those relating to interest and taxes.

Segment total liabilities exclude prepaid income and accrued expenses relating to taxes and deferred tax liabilities.

2 BUSINESS AND GEOGRAPHICAL SEGMENTS

Business Segments
The Group is currently organised in three divisions, Tea, Coffee, and Others. These divisions are the basis on which the Group reports its primary segment information. The principal activites of these divisions are as follows:

Tea - Growing and processing of tea
Coffee - Growing and processing of coffee
Others - Breeding of dairy cattle, renting of growing land and the leasing of plant and machinery.

Segment information is as presented below.

a. **30 September 2004**	**Tea** K.Shs '000	**Coffee** K.Shs '000	**Others** K.Shs '000	**Consolidated** K.Shs '000
Revenue				
Sales to external customers	850,206	169,446	19,986	1,039,638
Other income	-	-	1,011,579	1,011,579
	850,206	169,446	1,031,565	2,051,217
Results				
Operating results	131,678	(35,312)	1,009,036	1,105,402
Assets and Liabilities				
Segment assets	2,704,972	1,054,864	250,853	4,010,689
Segment liabilities	168,830	38,036	14,889	221,755
Other segment information				
Capital expenditure - tangible fixed assets	32,365	9,445	-	41,810
Depreciation and amortisation of leasehold land	27,458	13,076	9,339	49,873
Average number of employees	3,837	1,106	64	5,007

2 BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

b. 30 September 2003

	Tea K.Shs '000	Coffee K.Shs '000	Others K.Shs '000	Consolidated K.Shs '000
Revenue				
Sales to external customers	739,868	97,983	20,320	858,171
Other Income	-	-	(238,366)	(238,366)
	739,868	97,983	(218,046)	619,805
Results				
Operating results	36,634	(113,943)	(279,108)	(356,417)
Assets and Liabilities				
Segment assets	1,640,840	761,965	535,948	2,938,753
Segment Liabilities	122,967	28,205	22,842	174,014
Other segment information				
Capital expenditure - tangible fixed assets	21,566	5,217	85	26,868
Depreciation and amortisation of leasehold land	56,445	31,036	13,572	101,053
Average number of employees	3,603	976	64	4,643

Geographical Segments

The Group's operations are located in the Rift Valley, Central, Coast and Nairobi provinces of Kenya.

The Group's tea, rental and leasing operations are located in the Rift Valley and Central provinces. Coffee and dairy operations are located in the Central province.

As stated in note 25, the Company's shareholding in a subsidiary operating in Central province was disposed of on 31.07.2003 and the operating results of this subsidiary were incorporated up to the time of disposal.

Sales revenue by geographical market

A significant proportion of the revenue from tea and coffee sales during the year arises from sales through the local auction market and consists of exports to Europe, the Middle East, Egypt and Pakistan. It is not possible, however, to segregate these auction sales by market. The remainder of the sales revenue is attributable to direct exports and local sales.

3 PROPERTY, PLANT AND EQUIPMENT

a. 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						
At start of year as previously stated	1,092,633	472,804	370,194	145,768	52,236	2,133,635
Reclassification of biological assets (Note 3(e))	(717,830)	-	-	-	-	(717,830)
As restated	374,803	472,804	370,194	145,768	52,236	1,415,805
Additions	-	1,262	6,970	13,793	7,092	29,117
Disposals	-	-	-	(4,945)	-	(4,945)
At 30 September 2004	374,803	474,066	377,164	154,616	59,328	1,439,977
Comprising:						
At cost	154,547	93,133	134,566	132,424	47,193	561,863
At valuation	220,256	380,933	242,598	22,192	12,135	878,114
	374,803	474,066	377,164	154,616	59,328	1,439,977
DEPRECIATION						
At start of year as previously stated	-	232,432	309,305	123,597	44,196	709,530
Charge for the year	-	20,869	12,089	11,927	4,955	49,840
Disposals	-	-	-	(4,847)	-	(4,847)
At 30 September 2004	-	253,301	321,394	130,677	49,151	754,523
NET BOOK VALUE						
At 30 September 2004	**374,803**	**220,765**	**55,770**	**23,939**	**10,177**	**685,454**
At 30 September 2003	**374,803**	**240,372**	**60,889**	**22,171**	**8,040**	**706,275**

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 422,202,342 (2003 - K.Shs 177,565,896) 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 68,512,310 (2003 - K.Shs 35,950,831).

3 PROPERTY, PLANT AND EQUIPMENT *(continued)*

b. **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						
At start of year as previously stated	423,042	138,941	79,395	51,037	22,920	715,335
Reclassification of biological assets (Note(3e))	(143,196)	-	-	-	-	(143,196)
As restated	279,846	138,941	79,395	51,037	22,920	572,139
Additions	-	-	-	6,906	2,437	9,343
Disposals	-	-	-	(2,612)	-	(2,612)
At 30 September 2004	279,846	138,941	79,395	55,331	25,357	578,870
Comprising:						
At cost	64,415	11,787	6,253	34,615	14,707	131,777
At valuation	215,431	127,154	73,142	20,716	10,650	447,093
	279,846	138,941	79,395	55,331	25,357	578,870
DEPRECIATION						
At start of year as previously stated	-	89,735	52,197	44,928	17,326	204,186
Charge for the year	-	6,513	1,245	3,838	2,643	14,239
Disposals	-	-	-	(2,612)	-	(2,612)
At 30 September 2004	-	96,248	53,442	46,154	19,969	215,813
NET BOOK VALUE						
At 30 September 2004	**279,846**	**42,693**	**25,953**	**9,178**	**5,388**	**363,058**
At 30 September 2003	**279,846**	**49,206**	**27,198**	**6,109**	**5,594**	**367,953**

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 130,835,044 (2003: K.Shs 43,039,572) 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 23,532,400 (2003: K.Shs 11,151,640).

c. CAPITAL WORK IN PROGRESS

The capital work in progress at 30 September 2004 relates to a new accounting software and hardware, factory civil works, staff quarters lighting, water system and local sales packing equipment.

d. PREPAID LEASES - LEASEHOLD LAND

	The Group		The Company	
	2004 K.Shs '000	2003 K.Shs '000	2004 K.Shs '000	2003 K.Shs '000
COST				
At 30 September 2004	15,260	15,260	1,210	1,210
AMORTISATION				
Balance brought forward	(1,395)	(1,362)	(503)	(484)
Charge for the year	(33)	(33)	(19)	(19)
Balance carried forward	(1,428)	(1,395)	(522)	(503)
NET BOOK AMOUNT				
Balance carried forward	**13,832**	**13,865**	**688**	**707**

e. BIOLOGICAL ASSETS

	Coffee Trees K.Shs '000	Tea Bushes K.Shs '000	Other Trees K.Shs '000	Livestock K.Shs '000	Total K.Shs '000
The Group					
Transfer from property,plant and equipment	189,179	484,970	43,681	-	717,830
Transfer from Livestock	-	-	-	880	880
Restatement on adoption of IAS41 (Note1)	155,497	738,108	135,783	7,265	1,036,653
Carrying amount restated as at 1.10.2003	344,676	1,223,078	179,464	8,145	1,755,363
Gains / (Losses) arising from changes in fair value less estimated point of sale costs	253,800	592,144	125,324	4,258	975,526
Increases due to purchases	-	11,819	275	-	12,094
Decreases due to harvest	-	-	(10,028)	-	(10,028)
Carrying amount as at 30.09.2004	**598,476**	**1,827,041**	**295,035**	**12,403**	**2,732,955**
The Company					
Transfer from property, plant and equipment	138,196	-	5,000	-	143,196
Transfer from Livestock	-	-	-	139	139
Restatement on adoption of IAS41 (Note1)	70,527	-	51,028	784	122,339
Carrying amount restated as at 1.10.2003	208,723	-	56,028	923	265,674
Gains / (Losses) arising from changes in fair value less estimated point of sale costs	235,653	-	31,338	948	267,939
Carrying amount as at 30.09.2004	**444,376**	-	**87,366**	**1,871**	**533,613**

BIOLOGICAL ASSETS *(continued)*

The Group is involved in the growing, processing and selling of tea and coffee and breeding of dairy cattle. At 30 September 2004, the company held 154 cows able to produce milk and 89 calves that are raised to produce milk in the future. The group produced 715,293 litres of milk with a fair value less estimated point of sale costs of Kshs 13,133,643 in the year.

The Group has 856 hectares of mature coffee bushes and 56 hectares of young coffee bushes. The group harvested 1,025,759 kgs of coffee with a fair value less estimated point of sale costs of Kshs 119 million.

The Group has 1,372 hectares of mature tea bushes and 45 hectares of young tea bushes. The group harvested 23,219,950 kgs of green tea leaves with a fair value less estimated point of sale costs of Kshs 345 million

Where meaningful market-determined prices do not exist to assess the fair value of biological assets, the fair value is determined based on the net present value of the expected future cash flows from those assets, discounted at appropriate pre-tax rates. The discount rates used reflect the cost of capital, an assessment of the country risk, and the risks associated with individual crops. A discount rate of 15% per annum has been used.

In determining the fair value of biological assets where the discounting of expected casflows has been used, the directors have made certain assumptions as follows;

- Expected lifespan of the plantations (Coffee trees: 20 years, Tea bushes: 30 years),
- The climatic conditions will remain constant
- The selling prices to remain constant
- Cost inflation at 4% (2003 - 4%)
- The fair value of livestock is determined based on market prices of livestock of similar age and sex.

4 INVESTMENT IN SUBSIDIARY COMPANIES

Company	2004 K.Shs '000	2003 K.Shs '000
Shares in subsidiary companies at cost less amounts written off	14,797	14,797

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

Name of subsidiary	Percentage of equity held	Principal activity
Kipkebe Limited	100	Growing and processing of tea
Keritor Limited (100% held by Kipkebe Limited)	100	Renting tea growing land and development, and the leasing of plant and machinery.
Kipkebe Estates Limited (100% held by Kipkebe Limited)	100	Investment in equity, (currently not trading.)
Mweiga Estate Limited	75	Growing and processing of coffee and the breeding of dairy cattle and horticulture.
Wahenya Limited (100% held by Mweiga Estate Limited)	75	Growing and processing coffee

5 OTHER INVESTMENTS

		The Group		The Company	
		2004	**2003**	**2004**	**2003**
		K.Shs '000	K.Shs '000	K.Shs '000	K.Shs '000
Trade investments:	Quoted	31	31	31	31
	Unquoted	6,882	6,029	1,267	1,267
		6,913	**6,060**	**1,298**	**1,298**

The quoted trade investments of the Group and the Company have a market valuation of K.Shs 30,880 (2003: K.Shs 30,880) and K.Shs 30,880 (2003: K.Shs 30,880) respectively.

The unquoted trade investments of the Group and the Company are valued by the Directors at K.Shs 32,048,309 (2003: K.Shs 42,947,000) and K.Shs 1,267,480 (2003: K.Shs 1,267,480) respectively.

6 STOCKS

	The Group		The Company	
	2004	**2003**	**2004**	**2003**
	K.Shs '000	K.Shs '000	K.Shs '000	K.Shs '000
Tea	54,504	45,433	-	-
Tea and tree nurseries	4,785	4,581	-	-
Coffee	22,259	28,838	15,794	21,627
Estate stores	30,692	28,700	5,204	4,956
	112,240	**107,552**	**20,998**	**26,583**

7 DEBTORS

Trade debtors	54,638	58,776	3,790	7,933
Other debtors and prepaid expenses	63,272	52,834	15,454	15,073
	117,910	**111,610**	**19,244**	**23,006**

8 SUBSIDIARY COMPANY BALANCES

	The Group 2004 K.Shs '000	The Group 2003 K.Shs '000	The Company 2004 K.Shs '000	The Company 2003 K.Shs '000
Due from subsidiaries	-	-	2,822	237
Due to subsidiary	-	-	-	10,339

9 SHARE CAPITAL

	The Group 2004 K.Shs '000	The Group 2003 K.Shs '000	The Company 2004 K.Shs '000	The Company 2003 K.Shs '000
Authorised:				
40,000,000 ordinary shares of K.Shs 5 each	200,000	200,000	200,000	200,000
Issued and fully paid:				
38,009,250 ordinary shares of K.Shs 5 each	**190,046**	**190,046**	**190,046**	**190,046**

10 RESERVES

	The Group 2004 K.Shs '000	The Group 2003 K.Shs '000	The Company 2004 K.Shs '000	The Company 2003 K.Shs '000
Capital reserves	2,277,992	2,291,270	643,350	645,992
Revenue reserves	613,025	(80,009)	89,890	(110,323)
	2,891,017	**2,211,262**	**733,240**	**535,669**

11 DIVIDENDS

		The Group 2003 K.Shs '000	The Group 2004 K.Shs '000
First interim dividend	- paid	38,009	-
Second interim dividend	- proposed	57,014	-
Total dividends		**95,023**	-
Dividends per share	**- K.Shs**	**2.50**	-

The dividend per share is calculated on total dividends of K.Shs 95,023,125 (2003 : K.Shs Nil) 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.

12 DEFERRED TAX

	The Group 2004 K.Shs '000	The Group 2003 K.Shs '000	The Company 2004 K.Shs '000	The Company 2003 K.Shs '000
The provision for deferred tax comprises :				
Excess of tax allowances over depreciation	52,388	59,191	6,962	7,771
Tax losses	(32,267)	(30,666)	(6,359)	(11,835)
Other temporary differences	(30,263)	(27,784)	(3,408)	(3,325)
Effect of adopting IAS 41	600,645	310,996	117,084	36,702
	590,503	**311,737**	**114,279**	**29,313**
Deferred tax movement:				
Balance brought forward	311,737	32,925	29,313	8,583
Adjustment on disposal of subsidiary	-	3,888	-	-
Balance carried forward	590,503	311,737	114,279	29,313
Movement during year	**278,766**	**282,700**	**84,966**	**20,730**
Analysis of movement during year:s				
Capital reserves credit	(3,617)	(8,080)	(251)	(3,230)
Adjustment on disposal of Subsidiary	-	7,777	-	-
Prior year adjustment (Note 26)	-	380,777	-	66,138
Minority interest share	(184)	10,328	-	-
Revenue reserves credit (Note 14)	282,567	(108,102)	85,217	(42,178)
	278,766	**282,700**	**84,966**	**20,730**

13 CREDITORS

	The Group 2004 K.Shs '000	The Group 2003 K.Shs '000	The Company 2004 K.Shs '000	The Company 2003 K.Shs '000
Trade creditors	28,705	14,524	3,771	7,641
Other creditors	60,396	50,703	18,790	16,844
Accrued expenses	131,690	108,272	11,863	4,648
	220,791	**173,499**	**34,424**	**29,133**

14 TAXATION

		The Group	
		2004	2003
		K.Shs '000	K.Shs '000
Balance Sheet			
Balance brought forward		(10,818)	(7,899)
Adjustment on disposal of Subsidiary		-	689
Charge for the year		44,906	4,485
Paid during the year		(42,680)	(8,093)
Balance carried forward		**(8,592)**	**(10,818)**
Profit and Loss Account			
Tax on taxable profit for the year at 30%		45,012	4,485
Adjustment in respect of prior years		(106)	-
Charge for the year (above)		44,906	4,485
Deferred tax charge / (credit)	(Note 12)	(7,082)	(27,379)
Deferred tax charge / (credit) on biological assets	(Note 12)	289,649	(80,723)
Charge for the year after deferred tax		**327,473**	**(103,617)**

Dividend tax account

The Group and the Company have a credit balance on the dividend tax account of K.Shs 339,297,869 and K.Shs 75,614,451 respectively, which includes tax payments to September, 2004. There is therefore no compensating tax payable for the year.

	The Group	
	2004	2003
	K.Shs '000	K.Shs '000
Reconciliation of tax charge		
Accounting profit before taxation	1,104,137	(364,955)
Tax applicable rate of 30 %	331,241	(109,487)
Tax effects of items not deducted for tax	1,296	877
Originating and reversing temporary differences	(5,064)	4,993
	327,473	**(103,617)**

15 BANK OVERDRAFT

The bank overdraft facilities with Barclays Bank of Kenya Limited are secured to the extent of K.Shs 5,500,000 by way of a cash deposit guarantee from First American Bank of Kenya Limited.

16 TURNOVER

	The Group	
	2004	**2003**
	K.Shs '000	K.Shs '000
Tea	850,206	739,868
Coffee	169,446	97,983
Livestock	3,307	3,997
Dairy produce	16,680	16,323
	1,039,639	**858,171**

17 COST OF SALES

Stock movements	(2,793)	(10,613)
General charges	125,681	108,625
Plantation maintenance costs	227,796	210,616
Production expenses	185,297	182,203
Green leaf purchases	178,657	215,636
Livestock expenses	16,756	15,932
	731,394	**722,399**

18 OTHER OPERATING INCOME

Interest income	2,285	3,180
Dividend income	934	934
Net gain on exchange	13,207	6,962
Profit on disposal of property, plant and equipment	1,010	459
Profit on disposal of shares	-	1,955
Rent received	6,796	6,850
Sundry income	21,849	10,441
	46,081	**30,781**

19 ADMINISTRATION AND ESTABLISHMENT EXPENSES

	The Group	
	2004	**2003**
	K.Shs '000	K.Shs '000
Staff costs	74,917	64,555
Insurance and medical costs	18,657	20,724
Administration costs	39,548	39,048
Auditors' remuneration	1,723	1,894
Legal and professional charges	925	934
Secretarial costs	3,000	3,000
Travelling and accommodation costs	536	375
Office expenses	7,313	5,018
Directors' emuloments	1,559	1,398
Sundry expenses	6,110	6,775
Amortisation of leasehold land	33	33
Depreciation	49,840	101,017
	204,161	**244,771**

20 SELLING AND DISTRIBUTION EXPENSES

Warehousing and storage charges	**8,901**	**7,959**

21 OTHER CHARGES AND EXPENSES

Livestock expenditures	1,059	1,072
Loss on disposal of property, plant and equipment	-	21
	1,059	**1,093**

22 FINANCE COSTS

Bank charges and interest	**1,566**	**8,538**

23 PROFIT /(LOSS) BEFORE TAXATION AND EXCEPTIONAL ITEM

	The Group	
	2004	**2003**
	K.Shs '000	K.Shs '000
The profit /(loss) before taxation and exceptional item is arrived at after charging:		
Depreciation	49,840	101,017
Amortisation of leasehold land	33	33
Pension scheme contributions	4,988	6,763
Directors' emoluments: - fees	1,559	1,398
- other	-	-
Auditors' remuneration	1,723	1,894
(Company: K.Shs 600,000 (2003: K.Shs 600,000)		
Bank charges and interest	1,566	8,538
Loss on disposal of property, plant and equipment	-	21
And after crediting:		
Income from trade investments	934	934
Interest income	2,285	3,180
Foreign exchange gain	13,207	6,962
Profit on disposal of shares	-	1,955
Profit on disposal of property, plant and equipment	1,010	459

24 EXCEPTIONAL ITEM

In the year 2003, the Group disposed of its entire shareholding in Maramba Tea Factory Limited		
Proceeds on disposal	-	55,000
Carrying value of the shares	-	52,951
Profit on disposal	-	**2,049**

25 EARNINGS / (LOSS) PER SHARE

The calculation of earnings / (loss) per share is based on the profit after taxation and minority interests of K.Shs 103,535,000 (2003: K.Shs (67,224,000)) and on 38,009,250 ordinary shares.

26 PRIOR YEAR ADJUSTMENTS

	The Group		The Company	
	2004	2003	2004	2003
	K.Shs '000	K.Shs '000	K.Shs '000	K.Shs '000
Adjustment to carrying value of biological assets	1,269,257	1,269,257	220,460	220,460
Deferred tax thereon	(563,860)	(380,777)	(134,822)	(66,138)
	705,397	**888,480**	**85,638**	**154,322**

The prior year adjustments reflect the effect of the adoption of International Accounting Standard (IAS) No. 41 on Agriculture. In accordance with IAS 41, biological assets are measured at fair value less estimated point-of-sale costs.The deferred tax arises as biological assets, previously included in property, plant and equipment, were not depreciated.

27 CASH AND CASH EQUIVALENTS

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

	The Group	
	2004	2003
	K.Shs '000	K.Shs '000
Bank balances, cash and short-term deposits	331,351	232,200
Bank overdraft	(965)	(517)
	330,386	**231,683**

28 PROFIT ATTRIBUTABLE TO THE MEMBERS

The profit / (loss) dealt with in the financial statements of the parent company is K.Shs 292,342,263 (2003 : K.Shs (105,247,231)), after recognising dividend income from subsidiary companies in the year to which it relates.

29 CAPITAL COMMITMENTS

	The Group		The Company	
	2004	2003	2004	2003
	K.Shs '000	K.Shs '000	K.Shs '000	K.Shs '000
Authorised and contracted for	-	-	-	-

30 CASH GENERATED FROM OPERATIONS

	The Group	
	2004	**2003**
	K.Shs '000	K.Shs '000
Reconciliation of profit before tax to cash generated from operations		
Profit / (loss) before tax, minority interests and exceptional item	1,104,137	(364,955)
Adjustments for:		
Depreciation and amortisation	49,873	101,050
Foreign exchange gain	(13,207)	(6,962)
Interest received	(2,285)	(3,180)
Dividend received from trade investments	(934)	(934)
Interest expense	1,566	8,538
Profit on disposal of property, plant and equipments	(1,010)	(459)
Profit on disposal of shares	-	(1,955)
Loss on disposal of property, plant and equipments	-	21
Gains arising from changes in fair value less estimated point of sale costs	(965,498)	269,147
Operating profit before working capital changes	**172,642**	**311**
(Increase) / decrease in stocks	(4,688)	18,004
(Increase) / decrease in debtors	(6,300)	17,587
Increase in amounts due to related company	-	6,250
Increase in creditors	47,292	30,898
Cash generated from operations	**208,946**	**73,049**

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/acquired 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:

Purchase of goods and services	The Group	
	2004	2003
	K.Shs '000	K.Shs '000
Ryce Motors Limited	198	184
Ryce Engineering Limited	36	286
OEL Sysnet Limited	239	1,714
Tyre Centre Limited	208	191
Sameer Investments Limited	557	524
Sameer Management Limited	54	26
East African Cables Limited	83	62
Celtel Kenya Limited	675	728
Yansam Motors Limited	5,013	3,446
Firestone Tyre Centre Limited	22	-
	7,084	**7,161**

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.

The company also shares common directors with its legal advisors, who supplied a range of legal 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.

32 DISPOSAL OF SUBSIDIARY

As referred to in note 24, the Group disposed of its shareholding in Maramba Tea Factory Ltd on 31 July 2003. The Group's previous year's, loss incorporates the share of the operating result of the subsidiary company upto 31 July, 2003.

The net assets of Maramba Tea Factory Limited at the date of disposal and at 30 September 2003 were as follows:

	Year Ended 30.09.04 K.Shs '000	Period Ended 31.07.03 K.Shs '000
Property, plant and equipment	-	213,719
Deferred tax asset	-	3,888
Stocks	-	12,566
Debtors	-	25,092
Income tax asset	-	696
Cash and cash equivalents	-	7,486
Creditors	-	(29,343)
Bank loans	-	(124,667)
Current portion of bank loans	-	-
Shareholders' loans	-	(10,620)
Amount due to parent company	-	(130)
Bank overdraft	-	(2,413)
Net Assets	-	**96,274**
Share of net assets - 55%	-	52,951
Profit on disposal	-	2,049
Total consideration - Cash	-	**55,000**
Net cash inflow arising on disposal:		
Cash consideration	-	55,000
Bank balances and cash disposed of	-	(5,073)
	-	**49,927**

32 DISPOSAL OF SUBSIDIARY *(continued)*

The results of Maramba Tea Factory Ltd operations for the period from 1 October 2002 to 31 July 2003, which were included in the consolidated financial statements, were as follows:

	Year Ended 30.09.04 K.Shs '000	Period Ended 31.07.03 K.Shs '000
Sales	-	164,628
Cost of sales	-	(132,985)
Gross profit	-	31,643
Other income	-	7,233
	-	38,876
Administration and establishment expenses	-	(25,301)
Other charges and expenses	-	-
Finance costs	-	(8,228)
Profit / (loss) before tax	-	5,347
Income tax expense	-	-
Profit / (loss) from ordinary activities after tax	**-**	**5,347**
Share of profit / (loss) after tax	**-**	**2,941**

The cashflows incurred by Maramba Tea Factory Limited for the period to the date of disposal and for the year ended 30 September 2003 are as follows:

	Year Ended 30.09.04 K.Shs '000	Period ended 31.07.03 K.Shs '000
Operating	-	44,105
Investing	-	(4,643)
Financing	-	(30,575)
Net cash inflow	**-**	**8,887**

33 CONTINGENT LIABILITIES

	The Group		The Company	
	2004	2003	2004	2003
	K.Shs '000	K.Shs '000	K.Shs '000	K.Shs '000
Liabilities under guarantee	15,564	15,564	4,314	4,314

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 30 September 2004.

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 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.

36 INCORPORATION

The company is incorporated in Kenya under the Companies Act.

37 CURRENCY

These financial statements are presented in Kenya Shillings thousand (K.Shs '000').

Five year comparative statement

		2004	2003	2002	2001	2000
PRODUCTION AND SALES STATISTICS						
TEA						
Area	- Hectares	1,417	1,354	1,354	1,301	1,243
Production	- Kilograms	8,736,298	8,227,000	7,544,289	7,240,302	7,067,005
Sales	- Kilograms	8,575,641	8,198,000	7,624,383	7,148,858	7,129,186
Net sales proceeds	- K.Shs / Kg	100.51	90.25	88.51	95.43	114.47
COFFEE						
Area	- Hectares	912	911	911	906	906
Production	-Tonnes	1,026	987	1,113	1,453	1,493
Sales	-Tonnes	1,205	917	1,224	1,392	1,380
Net sales proceeds	- K.Shs '000 / tonne	141	107	125	124	140
RESULTS		**K.Shs '000**	**K.Shs '000**	**K.Shs '000**	**K.Shs '000**	**K.Shs '000**
TURNOVER		1,039,639	858,171	848,445	874,602	1,017,484
Gains / (losses) arising from changes in fair value less estimated point of sale costs		965,498	(269,147)	-	-	-
Profit / (loss) before taxation and minority interests		1,104,137	(364,955)	(68,415)	36,436	161,594
Taxation		(327,473)	103,617	9,807	(24,114)	(52,954)
Profit / (loss) after taxation before minority interests		776,664	(261,338)	(58,608)	12,322	108,640
Minority interests		(5,502)	8,982	9,846	3,068	4,507
Exceptional item		-	2,049	41,822	-	(2,375)
Profit / (loss) attributable to the members		771,162	(250,307)	(6,940)	15,390	110,772
Dividend		(95,023)	-	(19,005)	(38,009)	(76,019)
Retained profit for the year transferred to reserves		**676,139**	**(250,307)**	**(25,944)**	**(22,619)**	**34,753**

Five year comparative statement

continued

	2004	2003	2002	2001	2000
ASSETS EMPLOYED					
Property, plant and equipment	685,454	706,275	1,707,904	1,553,311	1,969,064
Biological assets	2,732,955	1,755,363	-	-	-
Prepaid leases - Leasehold land	13,832	13,865	13,898	13,931	-
Capital work in progress	10,035	6,577	2,268	4,416	1,157
Investments	6,913	6,060	11,385	147,178	114,061
Net current assets	348,337	288,164	224,855	242,038	313,695
	3,797,526	**2,776,304**	**1,960,310**	**1,960,874**	**2,397,977**
FINANCED BY					
Share capital	190,046	190,046	190,046	190,046	190,046
Reserves	2,891,017	2,211,262	1,564,866	1,642,171	2,008,832
Proposed dividends	57,014	-	-	9,502	47,512
Shareholders' funds	3,138,077	2,401,308	1,754,912	1,841,720	2,246,390
Minority interests	68,946	63,260	89,418	53,564	67,652
Deferred Tax	590,503	311,737	32,925	65,591	83,935
Loans	-	-	83,055	-	-
Funds Employed	**3,797,526**	**2,776,304**	**1,960,310**	**1,960,874**	**2,397,977**
RATIOS					
Earnings per share	20.29	(6.59)	(0.18)	0.40	2.91
Dividend per share	2.50	-	0.50	1.00	2.00
Dividend cover (times covered)	8.12	-	(0.37)	0.40	1.46
Funds employed per share	99.91	73.04	51.57	51.59	63.09

* 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.