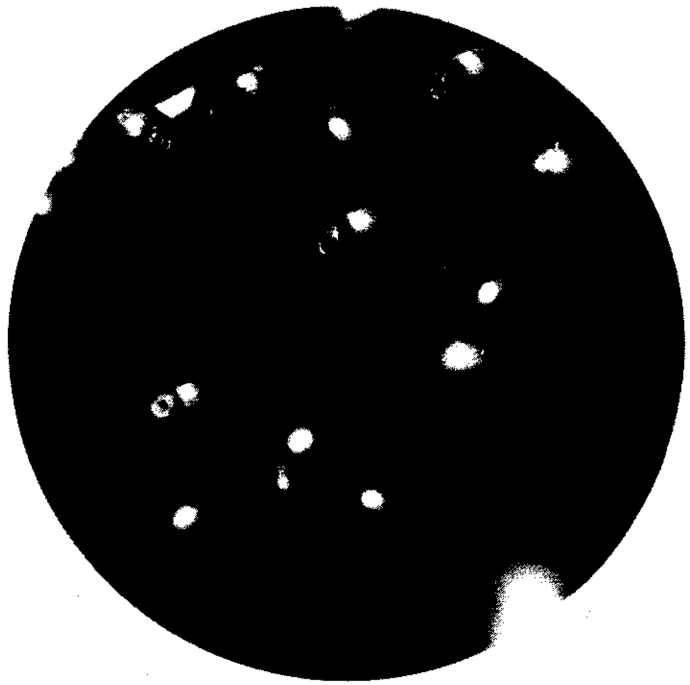
1. Tea trade -- Kenya -- periodicals
2. Tea trade -- Sasini -- Kenya



2007/0080

Contents

Board of Directors


A. P. Hamilton *(Chairman)*


N. N. Merali


M. H. Da Gama-Rose


A. H. Butt


M. N. Omar


B. M. Williams


I. A. Timamy


P. W. Muthoka *(Managing)*

Key Management


S. Menon
General Manager Tea Operations


R. Umesh
Group Financial Controller


J. M. Kieu
General Manager Coffee Operations

Company Information

Directors

A. P. Hamilton* (Chairman)
N. N. Merali, CBS
M. H. Da Gama-Rose, BA
A. H. Butt, CPA (Kenya), FCCA
M. N. Omar
B. M. Williams
I. A. Timamy, CPS (Kenya)
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
Tel: (254-020) 342166 / 171 / 72
Mobile: 0734 200706, 0722 200706

E-mail: info@sasini.co.ke
Website: www.sasini.co.ke

Auditors

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

Bankers

Barclays Bank of Kenya Limited
Commercial Bank of Africa Limited
Equatorial Commercial Bank Limited

Notice of Meeting

Notice is hereby given that the 54th ANNUAL GENERAL MEETING of the members will be held at Hotel Inter-Continental, Nairobi on Friday, 24th February 2006 at 11.00 am for the following purposes:

1. To confirm the minutes of the 53rd Annual General Meeting held on 17th February 2005.

2. To receive, consider and if deemed fit, adopt the annual financial statements for the year ended 30th September 2005 together with the reports thereon of the Directors and of the Auditors.

3. 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 75 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 78 years, be and is hereby re-elected a director of the Company".

4. To confirm the Directors' emoluments.

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

6. 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,
06 December 2005

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.

Ilani ya Mkutano

Ilani inatolewa hapa kuwa mkutano mkuu wa kila mwaka wa hamsini na nne (54) wa wanachama utafanyika katika Hotel Inter-Continental, Nairobi, Ijumaa, tarehe 24 Februari 2006, saa tano asubuhi kwa madhumuni yafuatayo:

1. Kuthibitisha matokeo ya mkutano mkuu wa hamsini na tatu uliofanyika tarehe 17 Februari 2005.

2. Kupokea, kuchunguza na ikionekana sawa kuidhinisha taarifa za kifedha za mwaka uliomalizikia tarehe 30 Septemba 2005, pamoja na taarifa za wakurugenzi na wakaguzi wa hesabu.

3. a) Kuchagua 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 75, achaguliwe na hapa anachaguliwa tena mkurugenzi wa kampuni."
   ii) "Kwamba Bw. A.P. Hamilton, mkurugenzi aliyefikisha umri wa miaka 78, achaguliwe na hapa anachaguliwa tena mkurugenzi wa kampuni."

4. Kuidhinisha malipo ya wakurugenzi.

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

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

Kwa Amri ya Halmashauri

I.A. Timamy
Katibu wa Kampuni
Nairobi
06 Desemba 2005

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.

Chairman's Statement

After an impressive performance in 2004, the world economy is expected to maintain a growth rate of 4.4% in the year 2005. The growth prospects for the global economy however continue to be threatened by the high oil prices. On the regional scene, the outlook appears much better with the resumption of peace in the Horn of Africa and ongoing implementation of the Common External Tariff in the East African Community as well as the robust growth in Kenya's COMESA trading partners which are expected to promote export-led growth.

Kenya's economic recovery is expected to sustain its upward trend with real GDP projected to reach 5% in 2005-06, up from 4.3% in the previous year. Though tourism, transport and communications were the star performers, other sectors of the economy, including horticulture, manufacturing, trade, building and construction also performed well. This positive trend is expected to be maintained in 2005-06.

Inflation is under control, the Kenya shilling is strong, the overall balance of payments is in surplus, interest rates are steady and revenue collection above target. With all these positive economic indicators, Kenya's economic growth could have been much better but for the fractious Coalition Government and the heated referendum issue. With the referendum behind us, it is hoped that good governance and the economy will now take centre stage.

In the year 2004-05, the Company faced several adverse factors that had a huge impact on profitability. The combination of weak tea prices as a result of oversupply in the international market, a strong shilling, escalating production costs, especially labour, fuel and fertilizer costs, and adverse weather conditions resulted in a net loss after tax and minority interest of Shs.38.21 million for the year (Shs.102.6 million profit in previous year). The trade dispute between Kenya and Pakistan early in 2005 over the import duty on rice under the East African Customs Union Protocol, also had an adverse effect on tea prices. The only positive factor was the higher prices for coffee.

The year 2004 was an extraordinary year for the world tea industry, with world output rising to an unprecedented 3.22 million tons. International prices however were buoyant till the last quarter of 2004 when market participants started to realize that there was a glut in supply. Since then prices have continued to decline with production continuing to grow and demand showing only a very moderate rise. The excess of supply over demand is estimated to be around 200 million kilograms and in the short to medium term we do not expect to see any significant rise in prices.

The prices at the Mombasa auction fell by an average of about 11 US cents per kilogram of made tea. The drop in price was higher for medium and lower medium teas and Sasini had to embark on a quality drive, starting with leaf quality, to ensure a reasonable price at the auctions. The quality drive was successful, with price realization per kilogram improving 25%, but there was a marked decline in quantity. A prolonged spell of cold weather and more than usual hail damage also contributed to the lower production volume.

The combination of lower price realization, lower quantity and a strong shilling has had a negative impact on the tea operations during the year. Tea production fell to 7.36 million Kgs (8.74 million Kgs previous year) with own leaf contributing 5.28 million Kgs (5.40 million Kgs previous year) and the out growers leaf contributing 2.08 million Kgs (3.34 million Kgs previous year). Tea sales for the year were 7.53 million Kgs (8.57 million Kgs previous year). The average sales realization per Kg was down 14.30% to Shs.86.13 per Kg, from Shs.100.51 per Kg in the previous year. The lower price realisation and the strong shilling alone contributed to a decline in sales realisation of about Shs.108 million during this financial year compared to the previous year.

Chairman's Statement

continued

Since the end of the financial year, we have put in place production strategies to ensure higher production volumes. A new mark, "MAGURA" has been introduced as part of this strategy and is doing well at the tea auctions. During the year the Company made significant investments in capital works for both Kipkebe and Keritor Factories designed to improve quality and consistency of made teas. These capital works, which will be completed by the end of 2005, are expected to contribute by way of higher tea price realizations at the auction and private treaty sales.

The Company's coffee operations however performed better during the year with increased production and higher price realizations, though the gains were partly offset by the strong shilling. Production of coffee rose 20.37% to 1,235 metric tons during the year (1,026 tons previous year) and sale of coffee was 1,298 tons (1,205 tons previous year). The average price realization per ton was Shs.181,505/- (Shs.140,619/- previous year), a rise of 29%. High input costs, especially labour costs, continue [illegible] remain a matter of concern.

The Company's dairy and livestock operations continued to [illegible] the company's dairy cows were adjudged Supreme Ch[illegible] Central Kenya Agricultural Show in Nyeri as well [illegible] International Trade Fair. The Champion cow yield[illegible] per day. Profit from the dairy operations inc[illegible] from Shs.2,132,056/- in the previous year. [illegible] at the dairy operations and expect to [illegible] coming years. Marginal drop in inte[illegible] serious and negative impact on [illegible] of diversification and value a[illegible] outlined below.

We had reported last year about the acquisition [illegible] Exporters Limited, a trading subsidiary. During [illegible] beginning in the area of coffee trading. A [illegible] Continental Europe, and other marketi[illegible] orders from buyers and it is exp[illegible] growth in the coming financial [illegible]

As part of the group's [illegible] commenced at Mweig[illegible] baby corn and fre[illegible] Annua, was also [illegible] and high irr[illegible] it is exp[illegible] com[illegible]

[illegible]

[illegible]

I am pleased to report that during the year, all our coffee estates and Aristocrats Coffee and Tea Exporters Limited were awarded International Certification by Utz Kapeh Foundation of Holland. The certification identifies the Company as a "responsible coffee producer" having due regard to the quality of produce, social responsibility and care of environment. Following this certification, coffee prices realized by Sasini have shown an upward trend. Similarly, our tea estates and factories received Grade A Certification from Ethical Tea Partnership of U.K., a very significant achievement.

In the tea estates, new afforestation continues to be undertaken. 100% of our fuel wood requirements are met from our forests and re-forestation is keeping pace with the depletion. In the coffee areas, afforestation programme is proceeding according to schedule and forestry continues to be a valuable source of revenue and fuel.

Secondly, plans outside commodity production operations: Initiatives under this heading include value addition options in the area of blending, packing and branding of teas and coffees for local consumption and for export so as to overcome the said cyclical trends in performance over which the Company has no control. All the value added products will be under the brand name of "Sasini". We plan to launch "Sasini" brand teas and coffees in the local retail market in the first half of 2006. Once the Sasini Brand is established we expect to leverage the brand equity to launch other products like dairy, horticulture products, etc. In this connection, we have established a lean but effective value addition department for tea and coffee. The department will steer the value addition programme and related marketing efforts of the resultant products locally and internationally. Meanwhile the Management has already embarked upon search for markets for our products with useful contacts made within Kenyan formal and informal markets and traditional and non-traditional international markets.

Finally as a part of the value addition initiatives the Company intends to set up a Coffee Mill to process its parchment coffee. Hence it is eventually planned that Sasini should produce, mill, roast, pack and export coffee and as soon as the government fully liberalizes the coffee sector, we should provide coffee marketing services.

In summary, strategic plans for value addition, aggressive marketing, trading, productivity and diversification measures have already been put in place and are being implemented. The Board considers these as the only options available to come out of the unpredictable nature of the tea and coffee business and the results of these initiatives will be reflected in the future results of the Company. Most importantly, Sasini will continue to produce products of the highest quality and conform at all times to the principles of good corporate governance.

I wish to thank all members of the Sasini team for their dedicated service and the new initiatives, which I am confident, will yield rich dividends in the years to come. I also wish to thank my fellow Board Members for their support and commitment to the new initiatives being undertaken by the Company.

On behalf of the Board of Directors, I say a special thank you to the Shareholders for the continued support that you have extended to the Board through the good times and the bad times. I seek your endorsement of the new initiatives which will transform the Company to a combination of commodities production, value addition and trading operations that will generate consistent dividends for the shareholders in future.

A.P. Hamilton
Chairman

Baada ya utendaji wa kuvutia sana katika mwaka 2004, uchumi wa ulimwengu unatarajiwa kuendeleza kiwango cha ukuaji cha asilimia 4.4 katika mwaka 2005. Ijapokuwa, matarajio ya ukuaji wa uchumi wa ulimwengu yanaendelea kutishwa na bei za juu za mafuta. Katika mandhari ya eneo, mtazamo unaonekana kuwa na afadhali kutokana na kurudishwa tena kwa amani katika Pembe ya Afrika na utekelezaji unaoendelea wa kodi sawa ya nje katika jumuia ya Afrika Mashariki na pia ukuaji imara wa washiriki wa kibiashara wa COMESA nchini Kenya yanatarajiwa kuendeleza ukuaji unaoongozwa na usafirishaji.

Nafuu iliopatikana katika uchumi wa Kenya inatarajiwa kuendeleza mwelekeo wake wa kukua na jumla ya pato halisi la ndani likitizamiwa kufikia asilimia 5 katika mwaka 2005-6, kiwango kilichoongezeka kutoka asilimia 4.3 katika mwaka uliopita. Ijapokuwa, utalii, usafiri na mawasiliano zilikuwa sekta mashuhuri zilizonawiri, sekta nyingine za uchumi, pamoja na kilimo cha bustani, uzalishaji viwandani, biashara na ujenzi pia zilifanya vyema.Mwelekeo huu mzuri unatarajiwa kuendelezwa katika mwaka 2005-6

Kupanda kwa gharama za maisha kumedhibitiwa, shilingi ya Kenya ni imara, na jumia ya masalio ya malipo ni ya ziada, viwango vya riba ni thabiti na ukusanyaji wa mapato ni juu ya shabaha. Kukiwa na vielekezo vyote hivi vizuri vya kiuchumi, ukuaji wa uchumi wa Kenya ungekuwa bora zaidi isipokuwa kwa sababu ya mgawanyiko katika Serikali ya mseto na suala la kura ya maoni lililopamba moto. Kura ya maoni ikiwa imepita, inatarajiwa kuwa uongozi mzuri na uchumi sasa zitapewa kipao mbele.

Kampuni ilikabiliwa na hali mbaya kadhaa katika mwaka 2004-5 zilizokuwa na athari kubwa sana katika faida. Mchanganyo wa bei duni za chai kwa sababu ya ugavi wa ziada katika soko la kimataifa, shilingi iliyo imara, gharama za uzalishaji zinazoongezeka, hususan nguvu kazi, mafuta na gharama za mbolea na hali mbaya za anga zilisababisha hasara halisi baada kodi na maslahi ya wachache, ya shilingi milioni 38.21 kwa mwaka (faida ya shilingi 102.6 katika mwaka uliopita). Mabishano ya kibiashara baina ya Kenya na Pakistan mapema katika mwaka 2005 dhidi ya ushuru wa mchele unaoingizwa chini ya Itifaki ya Muungano wa Forodha za Afrika Mashariki pia yalikuwa na athari mbaya kwenye bei za chai. Jambo zuri tu lilikuwa ni bei za juu za kahawa.

Mwaka 2004 ulikuwa mwaka wa kiajabu kwa biashara ya chai ya ulimwengu, mazao ya ulimwengu yakiongezeka kwa kiwango kisio na kifani cha tani milioni 3.22. Ijapokuwa bei za kimataifa ziliendelea kupanda mpaka robo ya mwisho ya mwaka 2004 wakati washiriki wa soko walipoanza kutambua kuwa kulikuwa na furiko katika ugavi. Tokea hapo, bei zimeendelea kuteremka na uzalishaji ukiendelea kuongezeka na mahitaji yakionyesha kiwango kidogo sana tu cha kuongezeka. Ziada ya ugavi dhidi ya mahitaji inakisiwa kuwa kama kilo milioni 200 na katika kipindi cha muda mfupi hadi cha muda wa kati hatutaraji kuona kupanda kokote katika bei kwa maana.

Bei katika mnada wa Mombasa ilianguka kwa kiasi cha kama senti 11 za Marekani kwa kilo ya chai iliyotengenezwa. Kuanguka katika bei kulikuwa juu zaidi katika chai za viwango vya kati na chini ya kati na ilibidi Sasini ianzishe harakati ya kuboresha, ikianzia na ubora wa jani kuhakikisha bei ya kiasi katika minada. Harakati za kuboresha zilifaulu, na bei iliopatikana kwa kilo ikiongezeka kwa asilimia 25, lakini kulikuwa na upungufu mkuu katika idadi. Kipindi kirefu cha baridi na uharibifu wa zaidi ya kawaida kutokana na mvua ya mawe pia zilichangia katika viwango vidogo vya uzalishaji.

Mchanganyiko wa bei ya chini iliopatikana, viwango vidogo, na shilingi imara zimekuwa na athari hasi kwenye utendaji wa chai katika mwaka. Uzalishaji chai ulipungua kuwa kilo milioni 7.36 (kilo milioni 8.74 katika mwaka uliopita) na majani yetu wenyewe kuchangia kilo milioni 5.28 (kilo milioni 5.4 mwaka uliopita) na wazalishaji majani wa nje wakichangia kilo milioni 2.08 (kilo milioni 3.34 mwaka uliopita). Mauzo ya chai katika mwaka yalikuwa kilo 7.53 (kilo milioni 8.57 mwaka uliopita). Mauzo ya wastani yaliopatikana kwa kilo yalikuwa chini kwa asilimia 14.30 kuwa shilingi 86.13 kwa kilo kutoka shilingi 100.51 kwa kilo mwaka uliopita. Bei ya chini iliopatikana na shilingi imara pekee zilichangia kupunguka katika mauzo yaliopatikana ya kama shilingi milioni 108 katika mwaka huu wa kifedha ikilinganishwa na mwaka uliopita.

Tumeanzisha mikakati ya uzalishaji kutokea mwisho wa mwaka wa kifedha kuhakikisha viwango vya juu vya uzalishaji. Kiwango kipya, "MAGURA" kimeanzishwa kama sehemu ya mkakati huu na kinafanya vyema katika minada ya chai. Kampuni ilifanya uegeshaji mkuu wa mtaji katika viwanda vyote vya Kipkebe na Keritor mwaka huu, unaonuiliwa kuendeleza ubora na uthabiti wa chai zilizotengenezwa. Kazi hizi za mtaji ambazo zitakamilishwa kufikia mwisho wa 2005 zinatarajiwa kuchangia kupatikana kwa bei za chai za juu zaidi zitakazopatikana katika mnada na mauzo ya mikataba ya kibinafsi.

Ijapokuwa, utendaji wa kahawa wa Kampuni ulifanya vizuri katika mwaka kutokana na ongezeko la uzalishaji na bei ya juu iliopatikana, hata hivyo faida ilipunguzwa kidogo na shilingi ilioimarika. Uzalishaji wa kahawa uliongezeka kwa asilimia 20.37 kuwa tani 1,235 katika mwaka (tani 1,026 mwaka uliopita) na mauzo ya kahawa yalikuwa tani 1,298 (tani 1205 mwaka uliopita). Bei ya wastani iliopatikana kwa tani ilikuwa Shilingi 181, 505/= (shilingi 140,619/= mwaka uliopita), ongezeko la asilimia 29. Gharama za juu za pembejeo, hasa gharama za nguvu kazi, zinaendelea kuwa jambo la kushughulisha.

Shughuli za Kampuni za ufugaji ng'ombe wa maziwa na nyama ziliendelea kukua na ng'ombe wa maziwa wa Kampuni waliamuliwa mshindi mkuu katika maonyesho ya kilimo ya Mkoa wa Kati huko Nyeri na pia katika maonyesho ya kibiashara ya kimataifa ya Nairobi. Ng'ombe aliye mshindi mkuu hutoa zaidi ya kilo 50 za maziwa kwa siku. Faida kutokana na shughuli za ng'ombe wa maziwa iliongezeka kuwa Kshs 4,794,289/= kutoka Kshs 2,132,056/= katika mwaka uliopita. Tumeanzisha uongezeaji thamani katika utendaji wetu wa maziwa na tunataraji kupanua shughuli hizi katika miaka inayokuja. Kushuka kidogo sana katika bei za kahawa za kimataifa kunaweza kuwa na athari kubwa na hasi katika biashara na hivyo umuhimu wa kufanya anuai na kuongeza thamani kulingana na mpango maalum wa kampuni unaoelezwa hapo chini.

Tulikuwa tumeripoti mwaka jana kuhusu ununuzi wa kampuni ndogo ya kibiashara ya Aristocrats Coffee and Tea Exporters Limited. Kampuni hii katika mwaka, ilianza kufanya vizuri katika upande wa biashara ya kahawa. Safari ya kibiashara iliofanywa nchini Uingereza na Bara Uropa, na juhudi nyingine za kibiashara tayari zimesababisha maagizo maridhawa kutoka kwa wanunuzi na inatarajiwa kuwa utendaji huu utashuhudia kukua kwa kiasi kikubwa katika mwaka wa kifedha unaokuja.

Kama sehemu ya mpango wa ufanyaji anuwai wa kundi, shughuli za kilimo cha bustani zilianzishwa katika mashamba ya Mweiga na Kiambu. Mazao yalioanzishwa ni kama njegere, mahindi machanga na maharagwe marefu. Jaribio la zao la mti wa dawa, Artimisia Annua pia lilijaribiwa lakini likaachiliwa mbali kutokana na kutowezekana kutokana na ukame na gharama za juu za umwagiliaji maji. Sasa Kampuni imeshapitia kizingo cha usomaji na inatarajiwa kuwa shughuli za kilimo cha bustani zitakua na kuleta faida katika miaka inayokuja.

Imeonekana kuwa kubakia kama mzalishaji wa bidhaa tu Kampuni inaachwa katika rehema ya hali ambazo kampuni haiwezi kuzidhibiti na utendaji wa Kampuni ukibembea na mageuzi ya bei za bidhaa na viwango vya ubadilishanaji. Kwa hivyo Halmashauri imebuni mipango maalum na shughuli ambazo zitaikinga Sasini kwa kiasi katika siku za usoni dhidi ya hasara inayotokana na hali hizi. Miradi hiyo mipya ipo katika kategoria mbili.

Kwanza, mipango katika shughuli za uzalishaji bidhaa: Tayari hatua zimechukuliwa dhidi ya kuendeleza ubora na idadi ya bidhaa zetu ili kupata bei kubwa katika soko; mpango wa ufanyaji anuai wa kilimo cha bustani katika mashamba ya kahawa ulitekelezwa katika mwaka na njia zaidi zinachunguzwa. Mpango wa mauzo katika viwanda ulioanzishwa mwezi November, 2004 umeonyesha kuwa na faida sana na hivyo unapanuliwa. Gharama za uendeshaji zinaendelea kuchunguzwa kwa makini katika shughuli zote na jitihada zinafanywa kupunguza gharama zaidi inapowezekana.

Nina furaha kuripoti kuwa katika mwaka, mashamba yetu yote ya kahawa na Aristrocrats Coffee and Tea Exporters Limited yalituzwa hati ya kimataifa na taasisi ya Utz Kapeh ya Holland. Hati inaitambulisha Kampuni kama "mzalishaji mwaminifu wa kahawa" inayojali kikweli ubora wa mazao, jukumu la kijamii na utunzaji wa mazingira. Kufuatia hati hii, bei za kahawa zilizopatikana na Sasini zimeonyesha mwelekeo wa kuongezeka. Pia, mashamba yetu ya chai na viwanda yalipokea hati ya gredi ya A kutoka kwa Ushirika wa Maadili ya Chai wa U.K., mafanikio muhimu sana.

Upandaji miti upya unaendelea kutekelezwa katika mashamba ya chai. Asilimia 100 ya mahitaji yetu ya makaa yanapatikana katika misitu yetu na upandaji miti upya unaendelea sambamba na ukataji. Katika maeneo ya kahawa mpango wa upandaji miti unaendelea kulingana na ratiba na misitu inaendelea kuwa njia ya thamani ya mapato na makaa.

Pili, mipango nje ya shughuli za uzalishaji bidhaa: Juhudi chini ya kichwa hiki ni pamoja na njia za kuongeza thamani katika eneo la uchanganyaji, ufungaji na utiaji alama wa chai na kahawa kwa matumizi ya nchini na kwa usafirishaji ili kushinda mielekeo ya kimajira iliotajwa katika utendaji ambayo kwamba kampuni haiwezi kuidhibiti. Bidhaa zote zilizoongezwa thamani zitakuwa chini ya jina la chapa ya "Sasini". Tunapanga kuanzisha chapa za chai na kahawa za "Sasini" katika soko la uchuuzaji nchini katika sehemu ya kwanza ya mwaka 2006. Pindi chapa ya Sasini imejijenga tunataraji kutumia ushawishi wa haki ya chapa kuanzisha bidhaa nyingine kama za maziwa, bidhaa za kilimo cha bustani n.k. Kulingana na haya tumeanzisha idara ndogo lakini yenye nguvu ya kuongeza thamani ya chai na kahawa. Idara hii inaongoza mpango wa uongezaji thamani na juhudi zinazohusiana na uuzaji wa bidhaa zitakazotokea nchini na kimataifa. Wakati huo huo Usimamizi tayari umeanza kutafuta masoko kwa bidhaa zetu na ushirika muhimu kufanywa katika masoko rasmi na yasio rasmi nchini na masoko asili na yasio ya asili ya kimataifa.

Hatimaye kama sehemu ya jitihada za kuongeza thamani, Kampuni inanuia kuanzisha kinu cha kusaga kahawa yake ya kukaushwa. Hivyo mwishowe inapangwa kuwa Sasini izalishe, isage, ioke, ifunge na kusafirisha kahawa na muda tu Serikali itakapoacha huru sekta ya kahawa tutatoa huduma za uuzaji wa kahawa.

Kwa kufupisha, mipango maalum ya uongezaji thamani, uuzaji wa hima, ufanyaji biashara, uzalishaji na hatua za ufanyaji anuai tayari zimechukuliwa na zinatekelezwa. Halmashauri inaonelea hizi kama njia za pekee zilizopo kutoka katika hali hii isiyotabirika ya biashara ya chai na kahawa na matokeo ya juhudi hizi yataonekana katika matokeo ya usoni ya Kampuni. La muhimu zaidi, Sasini itaendelea kutoa bidhaa za ubora wa juu kabisa na wakati wote kufuata maadili ya uongozi mzuri wa shirika.

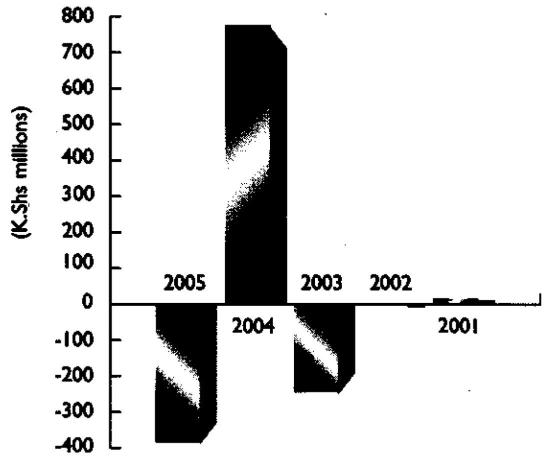
Ningependa kuwashukuru wanachama wote wa timu ya Sasini kwa huduma yao ya kujitolea na juhudi zao mpya ambazo nina imani zitazalisha faida kubwa katika miaka ya usoni. Pia ningependa kuwashukuru wanachama wa Halmashauri kwa usaidizi na kujitolea kwao kwa juhudi mpya zinazochukuliwa na Kampuni.

Kwa niaba ya Halmashauri ya wakurugenzi ninasema asante maalum kwa wanahisa kwa usaidizi wao wa kuendelea ambao mumeutoa kwa Halmashauri katika nyakati nzuri na mbaya. Ninaomba idhini yenu ya juhudi mpya ambazo zitabadilisha Kampuni kuwa mchanganyiko wa kuzalisha bidhaa, kuongeza thamani na uendeshaji biashara zitakazotoa faida ya sawa kwa wanahisa katika siku za mbeleni.

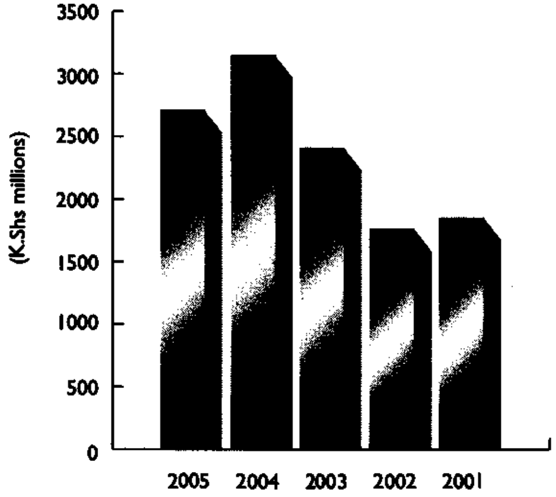
A.P. Hamilton
Mwenyekiti

Graphical Information

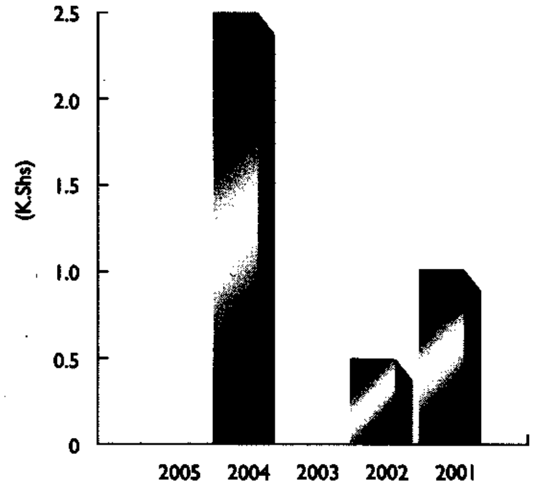
(Loss)/Profit attributable to the members K.Shs millions



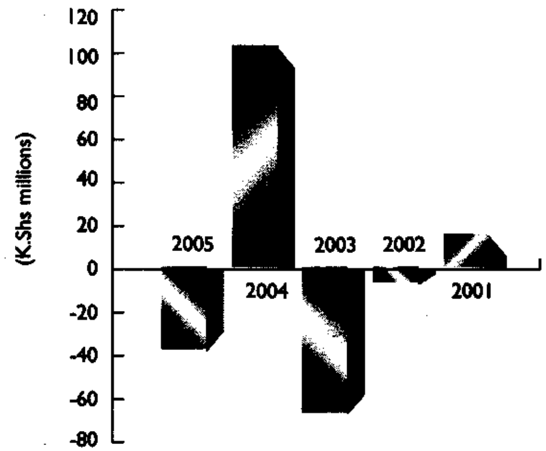
Shareholders' Funds



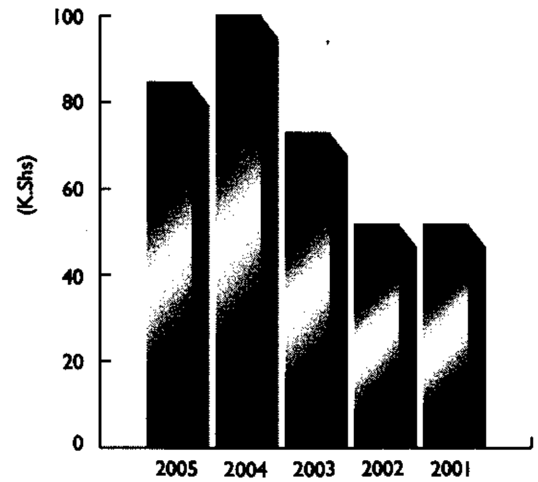
Dividends per Share



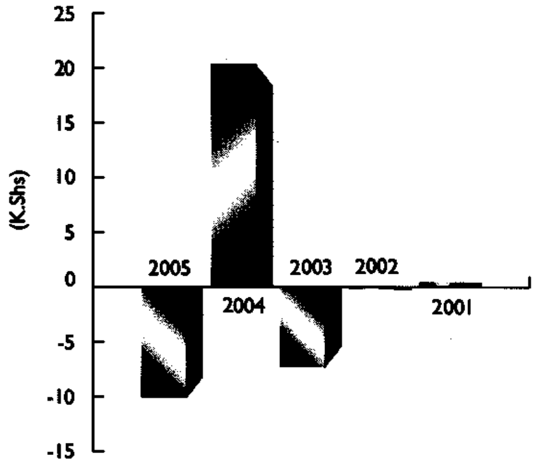
(Loss)/Profit araising from operating activities K.Shs millions



Funds Employed per Share K.Shs



Earnings per Share



Salient Features & Financial Calendar

		2005	2004
TURNOVER	**K.Shs '000**	**931,567**	**1,039,639**
(Loss)/profit arising from operating activities	K.Shs '000	(38,212)	102,597
(Loss)/gains arising from changes in fair value of biological assets	K.Shs '000	(348,382)	668,565
(Loss) /profit attributable to the members	K.Shs '000	(386,594)	771,162
Dividend per ordinary share	K.Shs	-	2.50
Shareholders' Funds	K.Shs '000	2,697,425	3,138,077

Annual Report and Financial Statements circulated in January 2006

DIVIDENDS

Interim	Nil	(2004: Kshs 1.00 per share)
Second Interim	Nil	(2004: Kshs 1.50 per share)

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 page 48-49.

		TEA		COFFEE	
		2005	2004	2005	2004
Area	Hectares	1,437	1,417	912	912
Production	Tonnes	7,355	8,736	1,235	1,026
Sales	Tonnes	7,534	8,576	1,298	1,205
Net sales proceeds:					
Tea	K.Shs / Kg	86.13	100.51	-	-
Coffee	K.Shs '000 / Tonne	-	-	182	141

Report of the Directors

The Directors have pleasure in presenting their annual report and the audited financial statements for the year ended 30 September 2005 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, livestock and horticulture.

GROUP RESULTS AND DIVIDENDS

			2005	2004
			K.Shs '000	K.Shs '000
(Loss)/Profit arising from operating activities			(38,212)	102,597
Interim dividend	Nil	(2004: 20%)	-	(38,009)
Second interim dividend	Nil	(2004: 30%)	-	(57,014)
Balance transferred (from)/to reserves			(38,212)	7,574

In view of the results, the Directors do not recommend the payment of a dividend.

SHARE CAPITAL AND RESERVES

The authorised and issued share capital of the Company at 30 September 2005 and matters relating thereto are set out in note 11 to the financial statements.

Full details of the Group and Company reserves and movements therein during the year are shown on pages 23 and 24 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 1.

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 75 years of age and 78 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 3% or more of the issued share capital of the company:

	Shareholding%	
	2005	2004
Legend Investments Limited	41.84	41.84
Yana Towers Limited	12.92	12.92
East Africa Batteries Limited	12.81	15.13

DIRECTORS' INTEREST

Directors' interests in the shares of the Company as at 30th September 2005 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

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
06 December 2005

Repoti ya Wakurugenzi

Wakurugenzi wanafuraha kuwakilisha taarifa yao ya mwaka na taarifa za hesabu zilizokaguliwa za mwaka ulioishia tarehe 30 Septemba 2005 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

			2005 K.Shs '000	2004 K.Shs '000
(Hasara)/Faida inayotokana na shughuli za utendaji			(38,212)	102,597
Malipo ya mgao wa muda yaliyolipwa	kapa	(2004:20%)	-	(38,009)
Mgao wa pili wa muda yaliyolipwa	kapa	(2004:30%)	-	(57,014)
(Hasara)/Faida iliobakishwa na kuhamishwa kwenye (kutoka) akiba			(38,212)	7,574

Kulingana na matokeo haya, Wakurugenzi hawapendekezi malipo ya mgao.

RASILIMALI YA HISA NA AKIBA

Rasilimali ya hisa za Kampuni zilizoidhinishwa na kutolewa kufikia tarehe 30 Septemba 2005 na mambo yanayohusiana nazo yanaonyeshwa katika tanbihi ya 11 ya taarifa za kifedha.

Maelezo kamili ya Kundi na akiba ya Kampuni na mienendo yake katika mwaka yameonyeshwa katika kurasa za 23 na 24 za taarifa za kifedha.

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 1.

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 75 na 78 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 3 au zaidi ya rasilimali za hisa zilizotolewa za kampuni.

	Umilikaji wa hisa% 2005	2004
Legend Investments Limited	41.84	41.84
Yana Towers Limited	12.92	12.92
East Africa Batteries Limited	12.81	15.13

USHIRIKI WA WAKURUGENZI

Ushiriki wa wakurugenzi katika hisa za Kampuni kufikia tarehe 30 Septemba 2005 ulikuwa kama ufuatao

Jina la Mkurugenzi	Idadi ya Hisa
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

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
06 Desemba 2005

Corporate Governance

Corporate governance is the process and structure used to direct and manage business affairs of the Company towards enhancing prosperity and corporate accounting with the ultimate objective of realizing shareholders long-term value while taking into account the interest of other stakeholders.

The Company conducts its operations in accordance with the principles of good corporate governance as provided in the guidelines issued by the Capital Markets Authority and complies with the Capital Markets (Securities), (Public Offers, Listing and Disclosures) Regulations, 2002.

Board of Directors

The composition of the Board is compliant with good corporate governance practices. The role of the Chairman and the Managing Director are segregated. The Managing Director and Chief Executive is in charge of the day to day running of the business of the Company. A non-executive director acts as Chairman of the Board. The current Board is composed of one executive director and seven non-executive directors. The Board is therefore composed of committed individuals with diverse and complementary skills to ensure that there is sufficient wealth of experience at board level. All the directors' appointments are subject to confirmation by shareholders at the Annual General Meeting. All the directors, except the Managing Director retire by rotation annually and are eligible for re-election at the Annual General Meeting.

The Directors are given appropriate and timely information to enable them maintain full and effective control over all strategic, financial, operational and compliance issues.

Board Meeting

Board Meetings are held every quarter and during this financial year, a total of four (4) Board Meetings were held.

Board Committees

The Board has approved the delegation of certain authorities to the Board Sub-Committees where applicable and to the Management.

The Board has two Committees both of which are guided by clear terms of reference. The Committees are instrumental in monitoring Company operations, systems and internal controls. The committees are as follows:

Audit Committee

The members of this committee are all non-executive Directors and professionals. All the members meet minimum financial literacy standards and have accounting or financial management expertise. The committee meets four times in a year and the Managing Director, the Group Financial Controller, the Internal Auditor, and the External Auditors attend most meetings of the committee. The role of the committee includes:

i) The review of interim and annual financial statements to ensure compliance with accounting standards and other disclosure requirements.

ii) The maintenance and review of the Company's system of accounting and internal controls.

iii) Liaising with external auditors of the Company and effecting their recommendations.

iv) Defining the scope and responsibilities of the internal auditors.

Finance and Management Committee

The committee comprises two non-executive directors, the Managing Director and the Group Financial Controller. The General Managers attend all meetings of this committee. The committee is chaired by a non-executive director and meets four times in a year.

The role of the committee include:

i) To monitor and review the operational and financial performance of the Group against key performance indicators, identifying shortcomings and ensuring corrective measures and actions are taken.

ii) To review the Group's investment plans and recommend these to the Board for approval.

iii) To ensure that the system of financial controls are effectively administered and to oversee the Group's information technology programme.

Directors' Remuneration

The remuneration for non-executive directors consists of fees and sitting allowances for their services in connection with Board and committee meetings.

The aggregate amount of emoluments paid to directors for services rendered during the financial year ended 30 September 2005 are contained in note 25 to the financial statements in this annual report.

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 party, whereby Directors might acquire benefits by means of the acquisition of the Company's shares. There were no director's loans at any time during the year.

Communication with Shareholders

The Company is committed to ensuring that shareholders and the financial markets are provided with timely information in regards to its performance. This is achieved by issuing notices in the press of its half yearly and annual financial results. The full annual report and financial statements are posted on the Company's website and also distributed to all shareholders and to other parties who have an interest in the Group's performance, on request.

The Company also responds to numerous letters from shareholders and interested parties on a wide range of issues.

Social and Environmental Responsibilities

The Company is mindful of its responsibilities with regard to the social welfare of its employees, their families and the host communities. The company therefore provides buildings for primary education, a fully fledged hospital equipped with ambulances and social facilities at the tea and coffee estates. The Company conducts aids awareness programmes at its health facilities.

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

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.

Going Concern

The Directors confirm that the Group has adequate resources to continue in business for the foreseeable future and therefore the continued use of the going concern as a basis when preparing the financial statements.

The Company discloses to the Nairobi Stock Exchange at the end of each calendar quarter, names of persons who hold or acquire 3% of the issued shares. The Company also files the Foreign Investors Returns as required, on a monthly basis.

The ten major shareholders of the Company as at 30 September 2005 were as follows:

Major Shareholders

No.	Name of Shareholder	No. of Shares	% Shareholding
1	Legend Investments Limited	15,902,892	41.84
2	Yana Towers Limited	4,911,774	12.92
3	East Africa Batteries Limited	4,870,217	12.81
4	Stanbic Nominees Kenya Limited - A/C R48701	1,066,594	2.81
5	John Kibunga Kimani	506,147	1.33
6	Mulchand Narshi Shah	383,945	1.01
7	Swani Coffee Estate Limited	372,879	0.98
8	Stanbic Nominees Kenya Limited - A/C SCKPF	299,000	0.78
9	The Co-operative Bank of Kenya Limited - CSC A/C1035	262,375	0.69
10	Vithaldas Narshibhai Morjaria	253,480	0.66

Analysis of shareholders by shares distribution

Shareholding (No. of Shares)	Number of Shares held	Number of Shareholders	% Shareholding
Less than 500	88,856	539	0.23
500 - 5,000	1,606,072	755	4.23
5,001 - 10,000	987,930	109	2.60
10,001 - 100,000	4,370,009	133	11.50
100,001 - 1,000,000	4,204,906	20	11.06
Above 1,000,000	26,751,477	4	70.38
Total	**38,009,250**	**1,560**	**100.00**

A.P. Hamilton
Chairman

P.W. Muthoka
Managing Director

Statement of Directors' Responsibilities on the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2005

The Kenyan Companies Act requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and Company as at the end of the financial year, and of the 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 Kenyan 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 }
P. W. Muthoka } **Directors**

06 December 2005

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

ERNST & YOUNG

Certified Public Accountants
Kenya-Re Towers
Upperhill
Off Ragati Road
P.O. Box 44286
00100 GPO, Nairobi
Kenya

Phone: + 254 2 2715300
Fax: + 254 2 2716271
Email: info@ey.co.ke
Website: www.ey.co.ke

We have audited the financial statements set out on pages 20 to 47 for the year ended 30 September 2005, and have obtained all the information and explanations which to the best of our knowledge and belief were necessary for purposes of our audit.

Respective Responsibilities of the Directors and the Independent Auditors

As stated on page 18, 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 2005 and of the loss 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
06 December 2005

Consolidated Balance Sheet

AS AT
30 SEPTEMBER 2005

	Note	2005 K.Shs '000	2004 K.Shs '000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	3(a)	672,709	685,454
Intangible Assets	3(c)	6,022	-
Goodwill	3(d)	80	-
Biological assets	5	2,277,588	2,732,955
Prepaid leases - leasehold land	4	13,799	13,832
Capital work-in-progress	3(e)	7,872	10,035
Other investments	7	6,932	6,913
		2,985,002	3,449,189
CURRENT ASSETS			
Stocks	8	110,051	112,240
Trade and other debtors	9	113,703	117,910
Taxation recoverable	16	16,113	8,592
Cash and cash equivalents		217,865	331,351
		457,732	570,093
TOTAL ASSETS		**3,442,734**	**4,019,282**
SHAREHOLDERS' FUNDS AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	11	190,046	190,046
Reserves	12	2,507,379	2,891,017
Proposed dividend	13	-	57,014
		2,697,425	3,138,077
MINORITY INTERESTS		89,791	68,946
NON- CURRENT LIABILITIES			
Deferred tax	14	424,910	590,503
CURRENT LIABILITIES			
Creditors	15	226,214	220,791
Bank overdraft	17	4,394	965
		230,608	221,756
TOTAL SHAREHOLDERS' FUNDS AND LIABILITIES		**3,442,734**	**4,019,282**

The financial statements set out on pages 20 to 47 were approved by the Board of Directors on 06 December 2005 and signed on its behalf by:

A. P. Hamilton
Director

P. W. Muthoka
Director

Company Balance Sheet

AS AT
30 SEPTEMBER 2005

	Note	2005 K.Shs '000	2004 K.Shs '000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	3(b)	352,738	363,058
Biological assets	5	621,854	533,614
Prepaid leases - leasehold land	4	670	689
Investment in subsidiary companies	6	15,797	14,797
Other investments	7	1,298	1,298
		992,357	913,456
CURRENT ASSETS			
Stocks	8	12,574	20,998
Amount due from subsidiary companies	10	27,246	2,822
Trade and other debtors	9	21,247	19,244
Taxation recoverable		10,163	8,179
Dividend receivable		-	100,000
Cash and cash equivalents		108,955	64,303
		180,185	215,546
TOTAL ASSETS		**1,172,542**	**1,129,002**
SHAREHOLDERS' FUNDS AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	11	190,046	190,046
Reserves	12	794,379	733,240
Proposed dividends	13	-	57,014
		984,425	980,300
NON-CURRENT LIABILITIES			
Deferred tax	14	141,366	114,278
CURRENT LIABILITIES			
Creditors	15	43,607	34,424
Amount due to subsidiary companies	10	2,359	-
Bank overdraft	17	785	-
		46,751	34,424
TOTAL SHAREHOLDERS' FUNDS AND LIABILITIES		**1,172,542**	**1,129,002**

The financial statements set out on pages 20 to 47 were approved by the Board of Directors on 06 December 2005 and signed on its behalf by :

A. P. Hamilton
Director

R.W. Muthoka
Director

Consolidated Profit and Loss Account

FOR THE YEAR ENDED 30 SEPTEMBER 2005

	Note	2005	2004
		K.Shs '000	K.Shs '000
Turnover	18	931,567	1,039,639
(Losses)/gains arising from changes in fair value less estimated point of sale costs		(469,260)	965,498
Cost of sales	19	(773,846)	(731,394)
Gross (loss)/profit		(311,539)	1,273,743
Other operating income	20	29,242	46,081
		(282,297)	1,319,824
Administration and establishment expenses	21	(212,407)	(204,161)
Selling and distribution expenses	22	(10,397)	(8,901)
Other charges and expenses	23	(18,512)	(1,059)
(Loss)/profit from operations		(523,613)	1,105,703
Finance costs	24	(1,281)	(1,566)
(Loss)/profit before tax, minority interests	25	(524,894)	1,104,137
Taxation	16	158,998	(327,473)
(Loss)/profit after tax and before minority interests		(365,896)	776,664
Minority interests		(20,698)	(5,502)
(Loss)/profit attributable to the members		**(386,594)**	**771,162**
(Loss)/profit arising from operating activities		(38,212)	102,597
(Loss)/gains arising from changes in fair value of biological assets		(348,382)	668,565
		(386,594)	**771,162**
		K.Shs	K.Shs
(Loss)/earnings per share	26	**(10.17)**	**20.29**
Dividends:		K.Shs'000	K.Shs'000
Interim dividends paid in the year	13	-	38,009
Second interim dividend proposed for the year	13	-	57,014
Total dividends for the year		-	**95,023**

Statement of changes in Equity

FOR THE YEAR ENDED 30 SEPTEMBER 2005

THE GROUP	Note	Share capital K.Shs '000	Capital reserves K.Shs '000	Revenue reserves K.Shs '000	Biological Assets Fair Value K.Shs '000	Proposed dividends K.Shs '000	Total equity K.Shs '000
At 1 October 2003		190,046	1,022,013	483,851	-	-	1,695,910
Prior year adjustments	27	-	-	-	705,397	-	705,397
As restated		190,046	1,022,013	483,851	705,397	-	2,401,307
Excess depreciation on revaluation		-	(16,895)	16,895	-	-	-
Profit attributable to the members		-	-	102,597	-	-	102,597
Undistributable profits		-	-	-	668,565	-	668,565
Deferred tax	14	-	3,617	-	-	-	3,617
1st interim dividend for 2004		-	-	(38,009)	-	-	(38,009)
2nd interim dividend proposed for 2004		-	-	(57,014)	-	57,014	-
At 30 September 2004		**190,046**	**1,008,735**	**508,320**	**1,373,962**	**57,014**	**3,138,077**
At 1 October 2004		190,046	1,008,735	508,320	1,373,962	57,014	3,138,077
Excess depreciation on revaluation		-	(12,400)	12,400	-	-	-
Loss attributable to the members		-	-	(38,212)	-	-	(38,212)
Undistributable losses		-	-	-	(348,382)	-	(348,382)
Deferred tax	14	-	2,956	-	-	-	2,956
Dividend Paid		-	-	-	-	(57,014)	(57,014)
At 30 September 2005		**190,046**	**999,291**	**482,508**	**1,025,579**	**-**	**2,697,425**

Statement of changes in Equity

FOR THE YEAR ENDED 30 SEPTEMBER 2005

THE COMPANY	Note	Share capital K.Shs '000	Capital reserves K.Shs '000	Revenue reserves K.Shs '000	Biological Assets Fair Value K.Shs '000	Proposed dividends K.Shs '000	Total equity K.Shs '000
At 1 October 2003		190,046	425,532	24,499	-	-	640,077
Prior year adjustments	27	-	-	-	85,638	-	85,638
As restated		190,046	425,532	24,499	85,638	-	725,715
Excess depreciation on revaluation		-	(2,894)	2,894	-	-	-
Profit attributable to the members		-	-	104,785	-	-	104,785
Undistributable profits		-	-	-	187,557	-	187,557
Deferred tax	14	-	252	-	-	-	252
Interim dividend for 2004		-	-	(38,009)	-	-	(38,009)
Proposed dividend for 2004		-	-	(57,014)	-	57,014	-
At 30 September 2004		**190,046**	**422,890**	**37,155**	**273,195**	**57,014**	**980,300**
At 1 October 2004		190,046	422,890	37,155	273,195	57,014	980,300
Excess depreciation on revaluation		-	(1,162)	1,162	-	-	-
Profit attributable to the members		-	-	40	-	-	40
Undistributable profits		-	-	-	61,367	-	61,367
Deferred tax	14	-	(268)	-	-	-	(268)
Dividend paid		-	-	-	-	(57,014)	(57,014)
At 30 September 2005		**190,046**	**421,460**	**38,357**	**334,562**	-	**984,425**

Consolidated Cash Flow Statement

FOR THE YEAR ENDED 30 SEPTEMBER 2005

	Note	2005 K.Shs '000	2004 K.Shs '000
OPERATING ACTIVITIES			
Cash generated from operations	31	11,667	208,946
Interest paid	24	(1,281)	(1,566)
Income taxes paid	16	(10,806)	(42,680)
Net cash from operating activities		**(420)**	**164,700**
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	3(a)	(32,298)	(29,117)
Purchase of intangible assets	3(c)	(7,528)	-
Biological assets	5	(13,893)	(12,094)
Work in progress	3(e)	2,163	(3,458)
Dividend received from trade investments	20	958	934
Interest received	20	2,913	2,285
Proceeds on sale of property, plant and equipment		2,280	1,108
Purchase of investments	7	(19)	(853)
Acquisition of Subsidiary, net of cash acquired	33	2,533	-
Net cash used by investing activities		**(42,891)**	**(41,195)**
FINANCING ACTIVITIES			
Dividend paid on ordinary shares		(57,014)	(38,009)
Net cash used in financing activities		**(57,014)**	**(38,009)**
Net (decrease)/increase in cash and cash equivalents		**(100,325)**	**85,496**
Cash and cash equivalents at the beginning of the year	28	**330,386**	**231,683**
Effect of exchange rate changes	23	(16,590)	13,207
Cash and cash equivalents at the end of the year	28	**213,471**	**330,386**

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 are set out below.

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 2005. Subsidiary companies are those companies where the Group either directly or indirectly has an interest of more than 50 percent of the voting rights or otherwise has power to exercise control over the operations. Subsidiaries are consolidated from the date on which effective control is transferred to the Group.

On acquisition, the assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognized.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of the subsidiaries to bring the accounting policies used in line with those used by other members of the Group.

All intercompany transactions and balances between Group enterprises are eliminated on consolidation.

Associated company

In the consolidated balance sheet, the investment in the associated company is stated at cost.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill is recognised as an asset and amortised on a straight-line basis following an assessment of its useful life.

Subsidiary companies

The investments in subsidiary companies are accounted for at cost in the Company's balance sheet less any provisions for impairment losses.

Revenue recognition

Turnover includes auction sales of coffee and tea net of all selling charges. Other sales are recognised when goods are despatched and are stated net of returns, discounts and value added tax.

Other revenues earned by the Group are recognised as follows:

Interest income	- is accrued on a time basis, by reference to the principal outstanding and the interest rate applicable.
Rental income	- as it accrues unless collectibility is doubtful.
Dividend income	- when the shareholder's right to receive payment is established.

1 SIGNIFICANT ACCOUNTING POLICIES *continued*

Taxation

Current taxation is provided on the basis of the results for the year, adjusted in accordance with Kenyan income tax legislation. It is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date.

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. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition(other than in a business combination) of other assets and liabilities in a transaction which affects neither the tax profits nor the accounting profit.

Trade investments

Quoted investments are stated at market value. Unquoted investments are stated at cost.
Provision is made for any permanent diminution in value.

Stocks

Tea and coffee stocks 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 that have been incurred in bringing the stocks to their present location and condition. 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.

Consumable stores are stated at the weighted average costs less provisions for obsolescence, slow moving and defective stores.

Property, plant, equipment and depreciation

Property, plant and equipment are stated at cost or revalued amounts less accumulated depreciation and any impairment losses. Revaluation increases are credited to a revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to the profit and loss account to the extent of the decrease previously charged. A decrease in carrying amount arising on revaluation is charged as an expense to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset. On subsequent sale or retirement of a revalued property, the attributable surplus remaining in the revaluation reserve is transferred to revenue reserve.

No depreciation is provided on freehold land. The work in progress is not depreciated until the assets are completed and brought to use. Other items of Property,plant and equipment are depreciated on a straight line basis to write down the cost or revalued amount of each asset to its residual value over its estimated useful life as follows:

1 SIGNIFICANT ACCOUNTING POLICIES *continued*

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%

Each year, the difference between depreciation based on the revalued carrying amount of an asset(the depreciation charged to the profit and loss account) and depreciation based on the asset's original cost is transferred from the revaluation reserve to revenue reserve.

Intangible assets

An intangible assets arises from the purchase of an accounting software.

The Group recognises an intangible asset at cost if, and only if, it is probable that the future economic benefits that are attributable to the asset will flow to the Group and the cost of the asset can be measured reliably.

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

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 pension 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 contributions to the above fund are also 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.

1 SIGNIFICANT ACCOUNTING POLICIES *continued*

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 on ordinary shares 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 activities of these divisions are as follows:

Tea - Growing and processing of tea
Coffee - Growing and processing of coffee
Others - Dairy and livestock, forestry, horticulture, renting of growing land and the leasing of plant and machinery

Segment information is as presented below:

a) 30 September 2005

	Tea K.Shs '000	Coffee K.Shs '000	Others K.Shs '000	Consolidated K.Shs '000
Revenue				
Sales to external customers	637,135	258,827	35,605	931,567
Other income	7,103	21,577	562	29,242
	644,238	280,404	36,167	960,809
Results				
Operating results	(54,144)	(3,498)	(465,971)	(523,613)
Assets and Liabilities				
Segment assets	1,873,401	1,266,713	286,508	3,426,622
Segment liabilities	106,990	53,322	70,296	230,608
Other segment information				
Capital expenditure - tangible fixed assets	42,158	2,407	1,142	45,707
Capital expenditure - intangible fixed assets	7,528	-	-	7,528
Depreciation and amortisation of leasehold land	29,834	9,505	7,752	47,091
Average number of employees	4,490	913	64	5,467

BUSINESS AND GEOGRAPHICAL SEGMENTS *continued*

b) 30 September 2004	Tea	Coffee	Others	Consolidated
	K.Shs '000	K.Shs '000	K.Shs '000	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	131,679	(35,312)	1,009,336	1,105,703
Assets and Liabilities				
Segment assets	2,704,972	1,054,864	250,853	4,010,689
Segment Liabilities	168,831	38,036	14,889	221,756
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

Geographical Segments

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

The Group's tea, rental, leasing and warehousing operations are located in the Rift Valley, Nyanza and Coast provinces. Coffee, dairy and horticulture operations are located in the Central province. The Head Office is located in Nairobi province.

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 1 October 2004	374,803	474,066	377,164	154,616	59,328	1,439,977
Additions	-	1,228	15,463	13,771	2,645	33,107
Disposals	-	-	-	(6,422)	-	(6,422)
At 30 September 2005	374,803	475,294	392,627	161,965	61,973	1,466,662
Comprising:						
At cost	154,547	94,361	150,029	146,195	49,838	594,970
At valuation	220,256	380,933	242,598	15,770	12,135	871,692
	374,803	475,294	392,627	161,965	61,973	1,466,662
DEPRECIATION						
At 1 October 2004	-	253,301	321,394	130,677	49,151	754,523
Charge for the year	-	18,874	11,252	6,650	8,776	45,552
Disposals	-	-	-	(6,122)	-	(6,122)
At 30 September 2005	-	272,175	332,646	131,205	57,927	793,953
NET BOOK VALUE						
At 30 September 2005	**374,803**	**203,119**	**59,981**	**30,760**	**4,046**	**672,709**
At 30 September 2004	**374,803**	**220,765**	**55,770**	**23,939**	**10,177**	**685,454**

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 482,552,868 (2004 - K.Shs 422,202,342) 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 77,238,719 (2004 - K.Shs 68,512,310).

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	279,846	138,941	79,395	55,331	25,357	578,870
Additions	-	409	-	-	937	1,346
Disposals	-	-	-	(2,339)	-	(2,339)
At 30 September 2005	279,846	139,350	79,395	52,992	26,294	577,877
Comprising:						
At cost	64,415	12,196	6,253	32,276	15,644	130,784
At valuation	215,431	127,154	73,142	20,716	10,650	447,093
	279,846	139,350	79,395	52,992	26,294	577,877
DEPRECIATION						
At start of year	-	96,248	53,442	46,154	19,969	215,813
Charge for the year	-	4,849	1,208	2,864	2,744	11,665
Disposals	-	-	-	(2,339)	-	(2,339)
At 30 September 2005	-	101,097	54,650	46,679	22,713	225,139
NET BOOK VALUE						
At 30 September 2005	**279,846**	**38,253**	**24,745**	**6,313**	**3,581**	**352,738**
At 30 September 2004	**279,846**	**42,693**	**25,953**	**9,178**	**5,388**	**363,058**

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 151,007,363 (2004: K.Shs 130,835,044) 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 26,372,727 (2004: K.Shs 23,532,400).

3 PROPERTY, PLANT AND EQUIPMENT *continued*

c) INTANGIBLE ASSETS

	The Group	
	Accounting Software K.Shs '000	**2005** K.Shs '000
COST		
At 1 October	-	-
Additions	7,528	7,528
At 30 September	7,528	7,528
AMORTISATION		
At 1 October	-	-
Charge for the year	1,506	1,506
At 30 September	1,506	1,506
NET BOOK AMOUNT		
At 30 September 2005	**6,022**	**6,022**
At 30 September 2004	-	-

d) GOODWILL

COST		
Arising on acquisition of subsidiary	80	80
Amortisation	-	-
Carrying Amount	80	80

Goodwill is amortised over its useful life.

e) CAPITAL WORK IN PROGRESS

The capital work in progress at 30 September 2005 relates to flooring works and new chimney installation in the Keritor factory, continuous fermenting units and steamline renovations in Kipkebe factory.

4 PREPAID LEASES - LEASEHOLD LAND

	The Group		The Company	
	2005	2004	2005	2004
COST	K.Shs '000	K.Shs '000	K.Shs '000	K.Shs '000
At 30 September	15,260	15,260	1,210	1,210
AMORTISATION				
Balance brought forward	1,428	1,395	521	503
Charge for the year	33	33	19	18
Balance carried forward	1,461	1,428	540	521
NET BOOK AMOUNT				
Balance carried forward	**13,799**	**13,832**	**670**	**689**

5 BIOLOGICAL ASSETS

	Coffee Trees	Tea Bushes	Other Trees	Other Crops	Livestock	Total
The Group	K.Shs '000	K.Shs '000	K.Shs '000	K.Shs '000	K.Shs '000	K.Shs '000
Carrying amount restated as at 1.10.2004	598,476	1,827,041	295,035	-	12,403	2,732,955
Gains /(losses) arising from changes in fair value less estimated point of sale costs	229,227	(613,128)	(81,617)	4,163	564	(460,791)
Increases due to purchases/plantings	-	12,110	490	720	573	13,893
Decreases due to harvest	-	-	(8,469)	-	-	(8,469)
Carrying amount as at 30.09.2005	**827,703**	**1,226,023**	**205,439**	**4,883**	**13,540**	**2,277,588**
The Company						
Carrying amount restated as at 1.10.2004	444,377	-	87,366	-	1,871	533,614
Gains /(losses) arising from changes in fair value less estimated point of sale costs	118,765	-	(31,673)	-	1,148	88,240
Carrying amount as at 30.09.2005	**563,142**	**-**	**55,693**	**-**	**3,019**	**621,854**

5 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 2005, the Company held 162 cows able to produce milk, 122 calves that are raised to produce milk in the future, 76 bull calves and 316 sheep. The Group produced 831,646 litres of milk with a fair value less estimated point of sale costs of Kshs 15 million in the year.

The Group has 856 hectares of mature coffee bushes and 56 hectares of young coffee bushes. The Group harvested 1,235,389 kgs of coffee with a fair value less estimated point of sale costs of Kshs 155 million.

The Group has 1,391 hectares of mature tea bushes and 46 hectares of young tea bushes. The Group harvested 22,990,315 kgs of green tea leaves with a fair value less estimated point of sale costs of Kshs 290 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 cashflows 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 5% (2004 - 4%)
-The fair value of livestock is determined based on market prices of livestock of similar age, breed and sex.

6 INVESTMENT IN SUBSIDIARY COMPANIES

	2005 K.Shs '000	2004 K.Shs '000
Company		
Shares in subsidiary companies at cost less amounts written off	15,797	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, processing and sale of tea.
Keritor Limited (100% held by Kipkebe Limited)	100	Renting tea growing land, and the leasing of plant and machinery.
Kipkebe Estates Limited (100% held by Kipkebe Limited)	100	Investment in equity, but currently not trading.
Mweiga Estate Limited	75	Growing and processing of coffee, and dairy and horticulture operations.
Wahenya Limited (100% held by Mweiga Estate Limited)	75	Growing and processing coffee.
Aristocrats Coffee and Tea Exporters Limited	100	Trading in coffee and tea.

7 OTHER INVESTMENTS

		The Group		The Company	
		2005	2004	2005	2004
		K.Shs '000	K.Shs '000	K.Shs '000	K.Shs '000
Trade investments:	Quoted	31	31	31	31
	Unquoted	6,901	6,882	1,267	1,267
		6,932	**6,913**	**1,298**	**1,298**

The quoted trade investments of the Group and the Company have a market valuation of KShs 30,880 (2004: K.Shs 30,880) and K.Shs 30,880 (2004: K.Shs 30,880) respectively.

The unquoted trade investments of the Group and the Company are valued by the Directors at K.Shs 29,993,291 (2004: K.Shs 32,048,309) and K.Shs 1,267,480 (2004 : K.Shs 1,267,480) respectively.

8 STOCKS

	The Group		The Company	
	2005	2004	2005	2004
	K.Shs '000	K.Shs '000	K.Shs '000	K.Shs '000
Tea	46,072	54,504	-	-
Tea and tree nurseries	5,402	4,785	-	-
Coffee	25,963	22,259	9,487	15,794
Estate stores	32,614	30,692	3,087	5,204
	110,051	**112,240**	**12,574**	**20,998**

9 DEBTORS

Trade debtors	34,430	54,638	7,993	3,790
Other debtors and prepaid expenses	79,273	63,272	13,254	15,454
	113,703	**117,910**	**21,247**	**19,244**

10 SUBSIDIARY COMPANY BALANCES

Due from subsidiaries	-	-	**24,887**	**2,822**

11 SHARE CAPITAL

	The Group		The Company	
	2005	**2004**	**2005**	**2004**
	K.Shs '000	K.Shs '000	K.Shs '000	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**

12 RESERVES

	The Group 2005 K.Shs '000	The Group 2004 K.Shs '000	The Company 2005 K.Shs '000	The Company 2004 K.Shs '000
Capital reserves	2,024,871	2,382,697	756,022	696,085
Revenue reserves	482,508	508,320	38,357	37,155
	2,507,379	**2,891,017**	**794,379**	**733,240**

13 DIVIDENDS

	The Group	
	2005	**2004**
	K.Shs '000	K.Shs '000
First interim dividend	-	38,009
Second interim dividend	-	57,014
	-	**95,023**
	K.Shs	K.Shs
Dividends per share	-	**2.50**

The dividend per share is calculated on total dividends of K.Shs Nil (2004: K.Shs 95,023,125) 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.

14 DEFERRED TAX

	The Group		The Company	
	2005	2004	2005	2004
	K.Shs '000	K.Shs '000	K.Shs '000	K.Shs '000
The provision for deferred tax comprises :				
Excess of tax allowances over depreciation	48,575	52,388	5,495	6,962
Tax losses	(23,363)	(32,267)	-	(6,359)
Other temporary differences	(60,169)	(30,263)	(7,513)	(3,408)
Biological Assets	459,867	600,645	143,384	117,084
	424,910	**590,503**	**141,366**	**114,279**
Deferred tax movement:				
Balance brought forward	590,503	311,737	114,279	29,313
Adjustment on acquisition of subsidiary	143	-	-	-
Balance carried forward	424,910	590,503	141,366	114,279
Movement during year	**(165,450)**	**278,766**	**27,087**	**84,966**
Analysis of movement during year:				
Capital reserves credit	(2,956)	(3,617)	268	(251)
Minority interest share	(147)	(184)	-	-
Revenue reserves credit (note 14)	(162,347)	282,567	26,819	85,217
	(165,450)	**278,766**	**27,087**	**84,966**

15 CREDITORS

	The Group 2005	The Group 2004	The Company 2005	The Company 2004
Trade creditors	38,922	28,705	15,409	3,771
Other creditors	48,585	60,396	7,888	18,790
Accrued expenses	138,707	131,690	20,310	11,863
	226,214	**220,791**	**43,607**	**34,424**

16 TAXATION

	The Group 2005 K.Shs '000	The Group 2004 K.Shs '000
Balance Sheet		
Balance brought forward	(8,592)	(10,818)
Adjustment on acquisition of Subsidiary	(64)	-
Charge for the year	3,349	44,906
Paid during the year	(10,806)	(42,680)
Balance carried forward	**(16,113)**	**(8,592)**
Profit and Loss Account		
Tax on taxable profit for the year at 30%	3,349	45,012
Adjustment in respect of prior years	-	(106)
Charge for the year (above)	3,349	44,906
Deferred tax charge /(credit) (note 14)	(21,569)	(7,082)
Deferred tax charge /(credit) on biological assets (note 14)	(140,778)	289,649
Charge for the year after deferred tax	**(158,998)**	**327,473**

Dividend tax account

The Group and the Company have a credit balance on the dividend tax account of K.Shs 320,730,570 and K.Shs 96,020,582 respectively, which includes tax payments to 30 September 2005. There is therefore no compensating tax payable for the year.

	The Group 2005 K.Shs '000	The Group 2004 K.Shs '000
Reconciliation of tax charge		
Accounting (loss)/profit before taxation	**(524,894)**	**1,104,137**
Tax applicable rate of 30%	(157,468)	331,241
Tax effects of items not deducted for tax	(139,367)	1,296
Originating and reversing temporary differences	137,837	(5,064)
	(158,998)	**327,473**

17 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 Commercial Bank of Africa Limited.

18 TURNOVER

	The Group	
	2005	**2004**
	K.Shs '000	K.Shs '000
Tea	637,135	850,206
Coffee	258,827	169,446
Livestock	4,895	3,307
Dairy produce	18,803	16,680
Horticulture	11,907	-
	931,567	**1,039,639**

19 COST OF SALES

	2005	2004
Stock movements	4,728	(2,793)
General charges	119,317	125,681
Plantation maintenance costs	272,160	227,796
Production expenses	196,429	185,297
Green leaf purchases	114,206	178,657
Coffee purchases	34,147	-
Shipping costs	1,011	-
Livestock expenses	17,139	16,756
Horticulture Expenses	14,709	-
	773,846	**731,394**

20 OTHER OPERATING INCOME

	2005	2004
Interest income	2,913	2,285
Dividend income	958	934
Net gain on exchange	-	13,207
Profit on disposal of property, plant and equipments	1,980	1,010
Rent received	6,504	6,796
Sundry income	16,887	21,849
	29,242	**46,081**

21 ADMINISTRATION AND ESTABLISHMENT EXPENSES

	The Group	
	2005	**2004**
	K.Shs '000	K.Shs '000
Staff costs	86,324	74,917
Insurance and medical costs	19,137	18,657
Administration costs	35,357	39,548
Auditors' remuneration	1,800	1,723
Legal and professional charges	1,195	925
Secretarial costs	3,000	3,000
Travelling and accommodation costs	230	536
Office expenses	11,010	7,313
Directors' emuloments	2,200	1,559
Sundry expenses	5,063	6,110
Amortisation of leasehold land	33	33
Depreciation	47,058	49,840
	212,407	**204,161**

22 SELLING AND DISTRIBUTION EXPENSES

Warehousing and storage charges	**10,397**	**8,901**

23 OTHER CHARGES AND EXPENSES

Livestock expenditures	1,694	1,059
Mombasa Office expenses	228	-
Net loss on exchange	16,590	-
	18,512	**1,059**

24 FINANCE COSTS

Bank charges and interest	**1,281**	**1,566**

25 (LOSS)/PROFIT BEFORE TAXATION

	The Group	
	2005	2004
	K.Shs '000	K.Shs '000
The (loss)/profit before taxation and exceptional item is arrived at after charging:		
Depreciation	47,058	49,840
Amortisation of leasehold land	33	33
Pension scheme contributions	5,852	4,988
Directors' emoluments: - fees	2,200	1,559
- other	4,807	2,442
Auditors' remuneration	1,800	1,723
(Company : K.Shs 600,000 (2004 : K.Shs 600,000)		
Bank charges and interest	1,281	1,566
Foreign exchange loss	16,590	-
And after crediting:		
Income from trade investments	958	934
Interest income	2,913	2,285
Foreign exchange gain	-	13,207
Profit on disposal of property, plant and equipment	**1,980**	**1,010**

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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 386,594,000 (2004: K. Shs 771,162,000) and on 38,009,250 ordinary shares.

27 PRIOR YEAR ADJUSTMENTS

	The Group		The Company	
	2005	2004	2005	2004
	K.Shs '000	K.Shs '000	K.Shs '000	K.Shs '000
Adjustment to carrying value of biological assets	-	1,269,257	-	220,460
Deferred tax thereon	-	(563,860)	-	(134,822)
	-	**705,397**	-	**85,638**

28 CASH AND CASH EQUIVALENTS

	The Group	
	2005	2004
	K.Shs '000	K.Shs '000
Cash and cash equivalents included in the cash flow statement comprise of the following balance sheet amounts:		
Bank balances, cash and short-term deposits	217,865	331,351
Bank overdraft	(4,394)	(965)
	213,471	**330,386**

29 (LOSS)/ PROFIT ATTRIBUTABLE TO THE MEMBERS

The (loss)/profit dealt with in the financial statements of the parent company is K.Shs 61,406,767 (2004: K.Shs 292,342,263), after recognising dividend income from subsidiary companies in the year to which it relates.

30 CAPITAL COMMITMENTS

	The Group		The Company	
	2005	2004	2005	2004
	K.Shs '000	K.Shs '000	K.Shs '000	K.Shs '000
Authorised and contracted for	-	-	-	-

31 CASH GENERATED FROM OPERATIONS

	The Group	
	2005	2004
Reconciliation of (loss)/profit before tax to cash generated from operations	K.Shs '000	K.Shs '000
(Loss)/profit before tax, minority interests and exceptional item	(524,894)	1,104,137
Adjustments for:		
Depreciation and amortisation (Note 21)	47,091	49,873
Foreign exchange loss/(gain) (Note 23)	16,590	(13,207)
Interest received (Note 20)	(2,913)	(2,285)
Dividend received from trade investments (Note 20)	(958)	(934)
Interest expense (Note 24)	1,281	1,566
Profit on disposal of property, plant and equipments (Note 20)	(1,980)	(1,010)
Loss/(gains) arising from changes in fair value less estimated point of sale costs	469,260	(965,498)
Operating profit before working capital changes	**3,477**	**172,642**
Decrease/(increase) in stocks	2,189	(4,688)
Decrease/(increase) in debtors	953	(6,300)
Increase in creditors	5,048	47,292
Cash generated from operations	**11,667**	**208,946**

32 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:

	The Group	
	2005	2004
Purchase of goods and services	K.Shs '000	K.Shs '000
Ryce Motors Limited	187	198
Ryce Engineering Limited	35	36
OEL Sysnet Limited	169	239
Tyre Centre Limited	158	208
Sameer Investments Limited	270	557
Sameer Management Limited	390	54
East African Cables Limited	-	83
Celtel Kenya Limited	1,129	675
ICL East Africa Limited	173	-
Yansam Motors Limited	8,355	5,013
Sameer Africa Limited	417	22
Swift Global Kenya Limited	328	-
	11,611	7,084

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 advisers, 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.

33 ACQUISITION OF SUBSIDIARY

On 1 October 2004, the Group acquired 100 percent of the issued share capital of Aristocrats Coffee and Tea Exporters Limited for a cash consideration of KShs 1 million.

The net assets of Aristocrats Coffee and Tea Exporters Limited at the date of acquisition were as follows:

	Period Ended 30.09.04
	K.Shs '000
Property, plant and equipment	809
Deferred tax asset	143
Debtors	64
Income tax asset	64
Cash and cash equivalents	3,533
Creditors	(375)
Amount due to related party	(3,318)
Net Assets	**920**
Goodwill	80
Total consideration - Cash	**1,000**
Net cash inflow arising on acquisition:	
Cash consideration	1,000
Bank balances acquired	(3,533)
	(2,533)

Aristocrats Coffee and Tea Exporters Limited contributed KShs 23,232,761 of revenue and KShs 175,283 of profit before tax for the period between the date of acquisition and the balance sheet date.

34 CONTINGENT LIABILITIES

	The Group		**The Company**	
	2005	**2004**	**2005**	**2004**
	K.Shs '000	K.Shs '000	K.Shs '000	K.Shs '000
Liabilities under guarantee	**15,564**	**15,564**	**4,314**	**4,314**

35 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 2005.

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.

36 COMPARATIVES

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

37 INCORPORATION

The Company and its subsidiaries are incorporated in Kenya under the Companies Act (Cap 486).

38 CURRENCY

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

Five year comparative statement

		2005	2004	2003	2002	2001
PRODUCTION AND SALES STATISTICS						
TEA						
Area	- Hectares	1,437	1,417	1,354	1,354	1,301
Production	-Kilograms	7,355,192	8,736,298	8,227,000	7,544,289	7,240,302
Sales	-Kilograms	7,534,269	8,575,641	8,198,000	7,624,383	7,148,858
Net sales proceeds	-K.Shs / Kg	86.13	100.51	90.25	88.51	95.43
COFFEE						
Area	- Hectares	912	912	911	911	906
Production	-Tonnes	1,235	1,026	987	1,113	1,453
Sales	-Tonnes	1,298	1,205	917	1,224	1,392
Net sales proceeds	-K.Shs '000 / tonne	199	141	107	125	124
RESULTS		**K.Shs '000**	**K.Shs '000**	**K.Shs '000**	**K.Shs '000**	**K.Shs '000**
TURNOVER		931,567	1,039,639	858,171	848,445	874,602
(Losses)/gains arising from changes in fair value less estimated point of sale costs		(469,260)	965,498	(269,147)	-	-
(Loss)/profit before taxation and minority interests		(524,894)	1,104,137	(364,955)	(68,415)	36,436
Taxation		158,998	(327,473)	103,617	9,807	(24,114)
(Loss)/profit after taxation before minority interests		(365,896)	776,664	(261,338)	(58,608)	12,322
Minority interests		(20,698)	(5,502)	8,982	9,846	3,068
Exceptional item		-	-	2,049	41,822	-
(Loss)/profit attributable to the members		(386,594)	771,162	(250,307)	(6,940)	15,390
Dividend		-	(95,023)	-	(19,005)	(38,009)
(Loss)/retained profit for the year transferred to reserves		**(386,594)**	**676,139**	**(250,307)**	**(25,944)**	**(22,619)**

Five year comparative statement

continued

		2005	2004	2003	2002	2001
		K.Shs '000	K.Shs '000	K.Shs '000	K.Shs '000	K.Shs '000
CAPITAL EMPLOYED						
Property, plant and equipment		672,709	685,454	706,275	1,707,904	1,553,311
Intangible Assets		6,022	-	-	-	-
Goodwill		80	-	-	-	-
Biological assets		2,277,588	2,732,955	1,755,363	-	-
Prepaid leases- Leasehold land		13,799	13,832	13,865	13,898	13,931
Capital work in progress		7,872	10,035	6,577	2,268	4,416
Investments		6,932	6,913	6,060	11,385	147,178
Net current assets		227,124	348,337	288,164	224,855	242,038
		3,212,126	**3,797,526**	**2,776,304**	**1,960,310**	**1,960,874**
FINANCED BY						
Share capital		190,046	190,046	190,046	190,046	190,046
Reserves		2,507,379	2,891,017	2,211,262	1,564,866	1,642,171
Proposed dividend		-	57,014	-	-	9,502
Shareholders' funds		2,697,425	3,138,077	2,401,308	1,754,912	1,841,719
Minority interests		89,791	68,946	63,260	89,418	53,564
Deferred Tax		424,910	590,503	311,737	32,925	65,591
Loans		-	-	-	83,055	-
		3,212,126	**3,797,526**	**2,776,304**	**1,960,310**	**1,960,874**
RATIOS						
(Loss)/earnings per share	(K.Shs)	(10.17)	20.29	(6.59)	(0.18)	0.40
Dividend per share	(K.Shs)	-	2.50	-	0.50	1.00
Dividend cover (times covered)	(Times covered)	-	8.12	-	(0.37)	0.40
Funds employed per share	(K.Shs)	84.51	99.91	73.04	51.57	51.59

* *The comparative figures for the years 2002 and 2001 have not been restated for the effect of adoption of IAS 41.*

* *The comparative figures for the year 2001 have been restated for the effect of adoption of IAS 17.*

Awards for Excellence

Mr. J. M. Kieu, General Manager, Coffee Operations (L) and Mr. P.W. Muthoka, Managing Director (R) proudly displaying the Supreme Champion trophies won by the Company's cows at the Central Kenya Agricultural Society of Kenya Show in Nyeri and the Nairobi International Trade Fair in the year 2005.