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
E. M. Kimani
S. N. Merali
M. J. Ernest*
P. W. Muthoka, BA (Hons), MA, MBS (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

Telephone: (254-020) 342166/71/72
Mobile: 0722 200706, 0734 200706
E-mail: info@sasini.co.ke
Website: www.sasini.co.ke

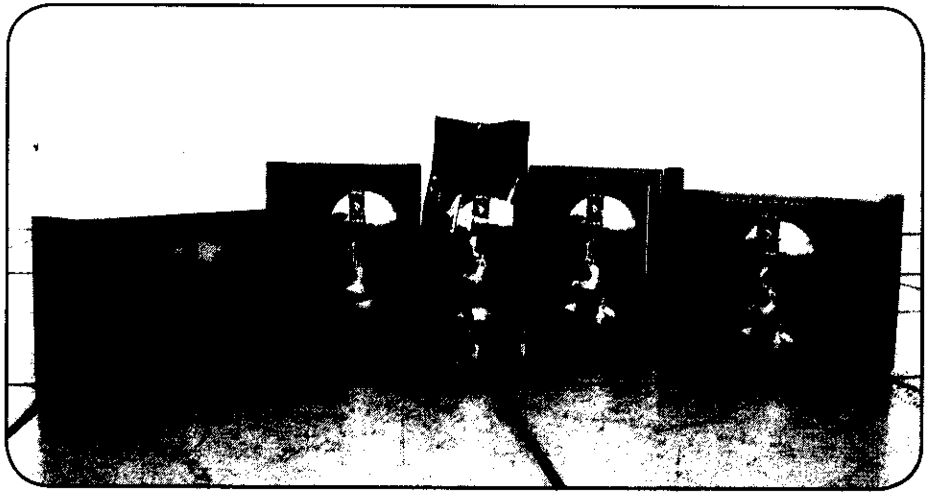
Auditors

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


Sasini
Sasini



Notice of Meeting

Notice is hereby given that the 55th ANNUAL GENERAL MEETING of the members will be held at Kamundu Estate, Kiambu on Friday, 23rd February 2007 at 11.30 am for the following purposes:

1. To confirm the minutes of the 54th Annual General Meeting held on 24th February 2006.

2. To receive, consider and if deemed fit, adopt the annual financial statements for the year ended 30th September 2006 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) E. M.Kimani, a director retiring by rotation, who being eligible, offers himself for re-election.

   vi) S. N. Merali was appointed a director on 26th May 2006 to hold office until the conclusion of the Annual General Meeting, retires, and being eligible, offers himself for re-election.

   vii) M. J. Ernest was appointed a director on 26th May 2006 to hold office until the conclusion of the Annual General Meeting, retires, and 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 resolution:

   " That Mr. A. P. Hamilton, a director who has attained the age of 79 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.

7. **Special Business:**

   To consider and if thought fit, pass the following ordinary resolutions:

   Resolution No.1
   That on the recommendation of the Board of Directors and subject to all relevant approvals being obtained, KShs.38,009,250 be capitalised out of the Revenue Reserves by the issue and distribution of 7,601,850 ordinary shares of KShs. 5/- each, ranking *pari passu* in all respects with the existing ordinary shares in the Company.Such bonus shares to be credited as fully paid at par value and alloted in the ratio of one (1) fully paid new ordinary share for every five (5) held to the holders of the ordinary shares in the capital of the Company on the Register of Members as at close of business on Wednesday, 14th February 2007.

   Resolution No.2
   That should any of the said 7,601,850 bonus shares not be issued by reason of fractions of shares being disregarded, the Directors may allot and issue the same to such persons and upon such terms and conditions as they may think fit.

   Resolution No.3
   That on the recommendation of the Board of Directors and subject to all relevant approvals being obtained, the authorised shares of the Company as at 14th February 2007 shall be split and divided in the ratio five (5) to one (1) and that the holding of those shareholders shown in the Register of Members of the Company as at close of business on 14th February 2007 shall be adjusted proportionately to reflect the split of five (5) new ordinary shares for every one (1) of the existing ordinary shares. The par value of the shares shall also be adjusted from KShs.5/- per share to KSh. 1/- per share.

By order of the Board

I.A.Timamy
Company Secretary
Nairobi,

14 December 2006

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 tano (55) wa wanachama utafanyika katika shamba la Kamundu, Kiambu, Ijumaa, tarehe 23 Februari 2007 saa tano na nusu asubuhi kwa madhumuni yafuatayo:

1. Kuthibitisha matokeo ya mkutano mkuu wa hamsini na nne (54) uliofanyika tarehe 24 Februari 2006.

2. Kupokea, kuchunguza na ikionekana sawa kuidhinisha taarifa za kifedha za mwaka uliomalizikia tarehe 30 Septemba 2006, pamoja na taarifa za wakurugenzi na wakaguzi wa hesabu kuhusiana na hesabu hizo.

3. 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) E.M.Kimani, mkurugenzi anayestaafu kwa zamu, ambaye kwa kuwa ana haki ya kuchaguliwa, anajitolea kuchaguliwa tena.

   (vi) S.N.Merali alichaguliwa mkurugenzi tarehe 26 Mei 2006 kushikilia afisi mpaka mwishoni mwa mkutano mkuu, anastaafu, na kwa kuwa ana haki ya kuchaguliwa, anajitolea kuchaguliwa tena.

   (vii) M.J.Ernest alichaguliwa mkurugenzi tarehe 26 Mei 2006 kushikilia afisi mpaka mwishoni mwa mkutano mkuu, anastaafu, na kwa kuwa ana haki ya kuchaguliwa, anajitolea kuchaguliwa tena.

   b) Ilani maalum inatolewa kwa kufuatana na kifungu 186 (5) cha Sheria za Makampuni, kufikiria pendekezo linalofuata:

   "Kwamba Bw. A.P.Hamilton ambaye ana umri wa miaka 79, 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 lingine lolote linaloweza kushughulikiwa katika mkutano mkuu wa kila mwaka

7. **Shughuli Maalum:**

Kuchunguza na ikionekana sawa kupitisha maamuzi ya kawaida yafuatayo:

Uamuzi na. 1
Kuwa kutokana na mapendekezo ya Halmashauri ya Wakurugenzi na kutegemea na idhini zote zinazofaa kupatikana, KShs 38,009,250/= zigeuzwe mtaji kutoka kwa malimbikizo ya fedha kwa utoaji na ugawanyaji wa hisa 7,601,850 za kawaida za KShs 5/= kwa kila moja zikiwekwa sawa sawa kwa hali zote na hisa za kawaida zilizopo katika Kampuni. Hisa hizo za bahashishi ziingizwe kama zilizolipiwa kikamilifu kwa thamani sawa na zigawanywe kwa uwiano wa hisa moja (1) mpya ya kawaida iliyolipiwa kikamilifu kwa kila hisa tano (5) zinazoshikiliwa za mmiliki wa hisa za kawaida za mtaji wa Kampuni katika orodha ya wanachama kufikia mwisho wa shughuli za biashara Jumatano tarehe 14 Februari 2007.

Uamuzi na. 2
Kuwa ikiwa hisa zozote zile 7,601,850 za bahashishi hazitolewi kwa sababu ya tarakimu za hisa zisizo kamili zinazopuuzwa, Wakurugenzi wanaweza kugawanya na kutoa kiasi hichohicho kwa watu hao na kulingana na masharti na kanuni wanavyofikiria sawa.

Uamuzi na. 3
Kuwa kutokana na mapendekezo ya Halmashauri ya Wakurugenzi na kulingana na idhini zote zinazofaa kupatikana, rasilimali ya hisa iliyoidhinishwa ya Kampuni zitagawanywa katika wiano wa tano (5) kwa moja (1) kufikia tarehe 14 Februari 2007 na kuwa ushikilizi wa wenye hisa hao unaoonyeshwa kwenye orodha ya wanachama wa Kampuni kufikia mwisho wa shughuli za biashara tarehe 14 Februari 2007 kubadilishwa kwa uwiano kuonyesha mgawanyo wa hisa tano (5) mpya za kawaida kwa kila hisa moja (1) ya kawaida iliyopo. Thamani ya sawa ya hisa hizi pia itabadilishwa kutoka KShs 5/= kwa kila hisa kuwa KShs 1/= kwa kila hisa.

Kwa Amri ya Halmashauri

I.A.Timamy
Katibu wa Kampuni
Nairobi

14 Desemba 2006

Maelezo

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

* Fomu ya uwakilishi imeshikanishwa.

Economy

After an impressive performance in 2005, the world economy is expected to maintain a growth rate of 4.9% in the year 2006, largely driven by the economies of China, India, Russia, United States and Japan. GDP growth in the sub-Saharan countries is projected to attain its highest level in 30 years with growth in excess of 5%.

Kenya's economic recovery has continued for the third continuous year with the GDP growth in fiscal 2005-06 at 5.8%, notwithstanding the severe drought experienced during the early part of the year and the volatile and high oil prices. A stable macro economic environment and a conducive business environment were maintained during the year with appropriate monetary and fiscal policies. While there was mixed performance in the agricultural sector, the manufacturing, building and construction sectors maintained the strong growth momentum. Tourism, transport and communications were the other star performers.

Inflation is under control, the Kenya Shilling is strong, the overall balance of payments is in surplus, and interest rates are steady and revenue collection above target. Foreign exchange reserves increased from US $ 1,587 million in June 2005 to US $ 2,353 million in June 2006. On the negative side, the rebuilding of the infrastructure has been too slow and the war on corruption seems to have lost steam. But for these negative factors, Kenya's economic growth could have been much higher. However, the implementation of the Government Investment Programme outlined in the 2005-06 Budget and articulated further in the 2006-07 Budget, particularly in the development and rehabilitation of major infrastructure and other projects, is expected to accelerate growth.

Company Performance

In the year 2005-06, the Company performed well in the face of several negative factors that affected the bottom-line and posted a profit after tax from operations of Shs.82.10 million compared to a loss of Shs.38.21 million in the previous financial year. The severe drought from November 2005 to March 2006 contributed to significant loss of production in all areas of our operations, namely tea, coffee, horticulture and dairy. The continued strengthening of the Kenya Shilling and escalating costs, especially labour costs continue to adversely affect the agricultural sector. However, on the positive side, tea production recovered after the drought and tea prices strengthened considerably, contributing to a healthy bottom-line.

The Kenyan tea industry is expected to end 2006 with significantly lower production and export levels though the sales realization will be higher than the previous year due to higher prices. Though auction prices have fallen in the recent months, indications are that the worldwide surplus in tea is dwindling and prices are expected to rule firm in 2007.

The combination of higher price realization and higher quantity had a positive impact, though the strong shilling had a negative impact on the tea operations during the year. Tea production rose to 8.29 million kilograms, (7.36 million Kgs previous year) with own leaf contributing 4.16 million Kgs (5.28 million Kgs previous year) and the out growers leaf contributing 4.13 million Kgs (2.08 million Kgs previous Year). Tea sales for the year were 7.81 million Kgs (7.53 million Kgs previous year). The average sales realization per Kg was significantly higher at Shs.114.14 per Kg, up from Shs.86.13 per Kg in the previous year.

During the financial year, we saw the effect of the several strategies that were put in place to ensure more profitable tea operations. The new mark, "MAGURA" which was introduced as part of this strategy has been doing well at the tea auctions. The quality and quantity of made tea from both our factories has improved due to the large capital investments made in process machinery up grade. The strategy on outgrowers leaf contributed significantly to the higher production level despite the severe drought that saw much reduced deliveries of leaf from own estates.

The Company's coffee operations however did not perform well during the year with the drought being the largest factor contributing to a 27.5% fall in coffee production. Production of coffee was 969 metric tons during the year (1,235 tons previous year) and sale of coffee was 940 tons (1,298 tons previous year). The quality of our coffee, as with all our other products, continues to be maintained. The average price realization per ton was Shs.201,744/- (Shs.181,505/- previous year).

High input costs, especially labour costs, continue to remain a matter of concern and even marginal drop in international prices of coffee can have a serious and negative impact on the industry. Therefore diversification and value addition constitute an important element of the Company's strategic plan. As a part of the value addition initiatives, the Company has set up a Coffee Mill to process its own parchment coffee as well as parchment from other coffee farmers.

We had reported last year about the acquisition of Aristocrats Coffee and Tea Exporters Limited, a trading subsidiary. During the year, the Company exported 785 tons of coffee to the European Community. Though the trade did not generate profits, very good contacts have been established with reputable coffee traders and roasters and these are expected to be fruitful in the coming years, especially in view of the liberalized trading environment.

On the horticultural front, the Company produced 50 tons of garden peas and 128 tons of baby corn during the year. The Company also produced 220 tons of French beans during the year. The horticultural operations continued to be profitable and the Company is examining the viability of setting up value addition and export operations for our own and outgrowers' horticultural produce.

The Company's dairy and livestock operations were profitable though impacted by the drought. The Company's dairy cows continued to win prizes at Agricultural Shows. We have started the sale of value added dairy products in a small way. The Company is now examining the viability of making a significant entry in the dairy industry.

Operating costs continue to be closely monitored throughout the operations and efforts are being made to reduce costs further where possible. Moreover, attention is paid to intensification of Company efforts in the areas of corporate social responsibility and good governance.

New Initiatives
As stated earlier, strategic plans for value addition and diversification have already been made and some of these decisions were implemented during the year under review. The Board considers these as the only options available to come out of the cyclical nature of the tea and coffee business and the results of these initiatives will be reflected in the results of the coming years.

I am very happy to report to the members on a number of very significant developments during the year.

First, as part of the value addition initiatives, your Company formally launched the SASINI branded teas and coffees in the retail market in July 2006. The initial response from the market has been satisfactory. The Company will support the brand building exercise with necessary funds and in the medium term we expect these operations to grow and contribute to a healthy bottom line. Plans are in place for the Company to sell its value added products not only nationally but also regionally and eventually internationally.

Secondly, the erection and commissioning of the new Coffee Mill is now complete and the mill has already started milling parchment from our estates. The Mill has spare capacity and will mill parchment for other coffee farmers, generating revenue for the Company. This is another of the several value addition initiatives undertaken by the Company.

Thirdly, the Government finally announced partial liberalization of the coffee industry in July 2006 and I am glad to inform you that Sasini has already obtained the necessary licences for commercial milling and marketing of coffee. Sasini now has complete control over the value chain from growing of coffee up to the consumer.

Bonus Share Issue
As you are all aware, an Interim Dividend of Shs.1/- per share in respect of the year ended 30th September 2006 was declared and paid to the shareholders in October 2006. The Directors have decided not to pay any further cash dividend. However, I am pleased to announce that your Directors have decided to recommend to the Shareholders the issue of Bonus Shares in the ratio of one (1) fully paid share of Shs.5/- for every five (5) shares held by members as at close of business on 14th February, 2007. The Bonus Shares will be issued subject to all regulatory approvals being obtained and also subject to approval by the shareholders at the Annual General Meeting of the Company, to be held on 23rd February 2007.

Share Split
You must have observed the rise in the share price of your Company during the past few months. The rise in the share price has put the shares out of the reach of many Kenyans. The Directors have therefore decided to recommend to the Shareholders that the shares of the Company be sub-divided in the ratio of five (5) for one (1). Subject to all regulatory approvals being obtained and also subject to approval by the shareholders at the Annual General Meeting to be held on 23rd February 2007, five (5) fully paid shares of Shs.1/- each will be issued for every one (1) fully paid share of Shs.5/- held by the members at close of business on 14th February 2007.

Acknowledgement
I wish to thank all members of the Sasini team for their dedicated service, for completing a successful year and their achievements in implementing some of the new initiatives during the year, 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.

Finally may I say a special thank you to the Shareholders for your continued support that you have extended to the Board through the good times and the bad times and seek your endorsement of the new initiatives which will transform this commodity producing Company to a diversified Agro Industrial Company that will generate consistent dividends for the shareholders.

A P Hamilton
Chairman

Uchumi

Baada ya utendaji mzuri sana katika mwaka 2005, uchumi wa ulimwengu unatarajiwa kudumisha kiwango cha ukuaji cha asilimia 4.9 katika mwaka 2006. Zaidi ukiendeshwa na chumi za Uchina, Bara Hindi, Urusi, Amerika na Japani. Ukuaji wa mazao ya jumla ya nchi za karibu na Sahara unakisiwa kufikia kiwango chake cha juu kabisa katika miaka 30 na ukuaji wa zaidi ya asilimia 5.

Upataji nafuu wa uchumi wa Kenya umeendelea kwa mwaka wa tatu mfululizo na ukuaji wa mazao ya jumla ya nchini katika mwaka 2005-06 kwa asilimia 5.8, licha ya ukame mkuu uliotokea katika wakati wa mwanzo wa mwaka na bei za mafuta zilizobadilika haraka na za juu. Mazingira thabiti ya uchumi na mazingira mazuri ya biashara yalidumishwa katika mwaka kwa sera muafaka za kifedha na hazina za Serikali. Wakati kulikuwa na utendaji mzuri na mbaya katika sekta ya ukulima, sekta za utengenezaji, na ujenzi zilidumisha mwenendo thabiti wa ukuaji. Utalii, usafiri na mawasiliano zilikuwa ni nyingine zilizofanya uzuri sana.

Kupanda kwa gharama za maisha kulikuwa kumedhibitiwa, shilingi ya Kenya ni imara, baki la jumla la malipo ni la ziada, na viwango vya riba ni thabiti na ukusanyaji wa mapato ni wa juu ya shabaha. Masazo ya fedha za kigeni yaliongezeka kutoka US$ milioni 1,587 Juni 2005 kuwa US$ milioni 2,353 Juni 2006. Kwa upande hasi, ujengaji upya wa miundo msingi umekuwa wa taratibu sana na vita dhidi ya ufisadi inaonekana vimepoteza nguvu. Lakini kama si kwa vipengele hivi hasi, ukuaji wa uchumi wa Kenya ungekuwa wa juu zaidi. Ijapokuwa, utekelezaji wa mpango wa utegaji uchumi wa Serikali uliofafanuliwa katika bajeti ya 2005-06 na kuelezwa zaidi katika bajeti ya 2006-07, hasa katika maendeleo na ukarabati wa miundo msingi yenye maana zaidi na miradi mingine inatarajiwa kuharakisha ukuaji.

Utendaji wa Kampuni

Katika mwaka 2005-06, Kampuni ilitenda vyema dhidi ya vipengele hasi kadhaa vilivyoathiri viwango vya chini na kupata faida baada kulipa ushuru kutokana na shughuli ya Shs milioni 82.10 ikilinganishwa na hasara ya Shs milioni 38.21 katika mwaka wa kifedha uliopita. Ukame mkuu kutoka Novemba 2005 hadi Machi 2006 ulichangia katika hasara kuu ya uzalishaji katika maeneo yote ya shughuli zetu, kwa jina majani chai, kahawa, kilimo cha bustani na kiwanda cha maziwa na bidhaa zake. Uimarikaji ulioendelea wa shilingi ya Kenya na gharama zinazoongezeka, hasa gharama za nguvu kazi zinaendelea kuathiri vibaya sekta ya ukulima. Ijapokuwa, kwa upande mzuri, uzalishaji wa majani chai ulipata nafuu baada ya ukame na bei za majani chai ziliimarika kwa kiasi, na kuchangia hali nzuri ya matokeo.

Biashara ya majani chai ya Kenya inatarajiwa kumaliza mwaka 2006 na uzalishaji mdogo wa maana na viwango vidogo vya biashara nje, ijapokuwa mauzo yatakayopatikana yatakuwa ya juu kuliko mwaka uliopita. Ingawa, bei za mnada zimeanguka katika miezi ya karibuni, ishara ni kuwa ziada ya ulimwenguni kote inapungua na bei zinatarajiwa kutawala madhubuti katika 2007.

Mchanganyiko wa upatikanaji wa bei za juu na idadi kuu ulikuwa na athari nzuri, ijapokuwa shilingi imara ilikuwa na athari hasi kwenye shughuli za majani chai katika mwaka. Uzalishaji wa majani chai uliongezeka kuwa kilo milioni 8.29, (kilo milioni 7.36 mwaka uliopita) na majani yetu wenyewe yakichangia kilo milioni 4.16 (kilo milioni 5.28 mwaka uliopita) na majani ya wapanzi wetu yakichangia kilo milioni 4.13 (kilo milioni 2.08 mwaka uliopita). Mauzo ya majani chai ya mwaka yalikuwa kilo milioni 7.81 (kilo milioni 7.53 mwaka uliopita). Mauzo ya wastani yaliopatikana kwa kilo yalikuwa ya juu zaidi ya Kshs 114.14 kwa kilo juu kutoka Shs 86.13 kwa kilo katika mwaka uliopita.

Katika mwaka huu wa kifedha tuliona athari za mikakati kadha ilioanzishwa kuhakikisha faida zaidi ya shughuli za majani chai. Alama mpya ya "MAGURA" ilioanzishwa kama sehemu ya mkakati imekuwa ikifanya vyema katika minada ya majani chai. Ubora na idadi ya majani chai yaliyotengenezwa kutoka viwanda vyetu vyote imeongezeka kutokana na utegaji uchumi mkuu wa fedha uliofanywa katika kuboresha mitambo ya utengenezaji. Mkakati wa majani chai ya wapanzi ulichangia pakubwa kwenye viwango vya juu vya uzalishaji dhidi ya ukame mkuu uliosababisha upatikanaji wa majani chai uliopungua sana kutokana na mashamba yetu wenyewe.

Ijapokuwa, shughuli za kahawa za Kampuni hazikufanya vyema katika mwaka na ukame ukiwa kipengele kikuu kilichochangia kuanguka kwa asilimia 27.5 katika uzalishaji wa kahawa. Uzalishaji wa kahawa ulikuwa uzani wa tani 969 katika mwaka (tani 1235 mwaka uliopita) na mauzo ya kahawa yalikuwa tani 940 (tani 1298 mwaka uliopita). Ubora wa kahawa yetu, kama ule wa bidhaa zetu nyingine zote, unaendelea kudumishwa. Bei ya wastani iliopatikana kwa tani ilikuwa Shs 201,744/= (Shs 181,505/= mwaka uliopita).

Gharama za juu za pembejeo, hasa gharama za nguvu kazi, zinaendelea kuwa jambo la kushughulisha na hata anguko dogo sana la bei za kimataifa za kahawa linaweza kuwa na athari kubwa na hasi katika biashara. Kwa hivyo, upanuaji wa biashara kwa kutengeneza bidhaa tofautitofauti na kuongezea thamani zinafanya elementi muhimu ya mpango wa kimkakati wa Kampuni. Kama sehemu ya juhudi za kuongezea thamani Kampuni imeanzisha kinu cha kusaga kahawa kutengeneza kahawa kavu yetu wenyewe na pia kahawa kavu kutoka kwa wakulima wengine wa kahawa.

Tuliriporti mwaka jana kuhusu ununuzi wa kampuni ya Aristrocrats Coffee and Tea Exporters Ltd, tanzu ya ufanyaji biashara. Katika mwaka Kampuni hiyo ilisafirisha tani 785 za kahawa hadi jamii ya Ulaya. Ijapokuwa biashara hii haikuleta faida, muunganisho mzuri sana ulifanywa na wafanyi biashara ya kahawa na wachomaji buni wa kuheshimika na

Taarifa Ya Mwenyekiti (*Kuendelea*)

hili linatarajiwa kuzalisha matunda katika miaka inayokuja, hasa kwa kuzingatia mazingira huru ya ufanyaji biashara.

Kwa upande wa kilimo cha bustani, Kampuni ilizalisha tani 50 za njegere na tani 128 za mahindi machanga katika mwaka. Kampuni pia ilizalisha tani 220 za maharagwe marefu katika mwaka. Shughuli za kilimo cha bustani ziliendelea kuwa na faida na Kampuni inatazamia uwezekano wa kuanzisha shughuli za kuongeza thamani na bidha nje kwa mazao yetu wenyewe ya kilimo cha bustani na ya wapanzi wetu.

Shughuli za Kampuni za maziwa na bidhaa zake na za mifugo zilikuwa na faida ijapokuwa ziliathiriwa na ukame. Ng'ombe wa maziwa wa Kampuni waliendelea kushinda zawadi katika maonyesho ya kilimo. Tumeanzisha uuzaji wa bidhaa za maziwa zilizoongezwa thamani kwa uchache. Kampuni sasa inachunguza uwezekano wa kuingilia kwa kiasi kikuu katika biashara ya maziwa na bidhaa zake.

Gharama za uendeshaji zinaendelea kuchunguzwa kwa makini katika shughuli zote na juhudi zinafanywa kupunguza gharama zaidi inapowezekana na zaidi uangalifu unafanywa kuzidisha juhudi za Kampuni katika maeneo ya wajibu wa kijamii wa shirika na uongozi mzuri.

Jitihada Mpya
Kama ilivyosemwa awali, mipango ya kimkakati ya kuongeza thamani na upanuaji wa biashara tayari imefanywa na baadhi ya maamuzi haya yalitekelezwa katika mwaka huu unaopitiwa. Halmashauri inaangalia haya kama njia pekee badilia zilizoko kuepuka hali ya kimfuatano ya shughuli za majani chai na kahawa na matokeo ya jitihada hizi yataonyeshwa katika matokeo ya miaka inayokuja.

Nina furaha kuripoti kwa wanahisa kuhusu maendeleo muhimu sana katika mwaka. Kwanza, kama sehemu ya jitihada za kuongeza thamani, Kampuni yenu ilianzisha rasmi chapa za majani chai na kahawa za SASINI katika soko la reja reja mnamo Julai 2006. Uitikio wa mwanzo katika soko umekuwa wa kutosheleza sana. Kampuni itasaidia juhudi za ujengaji chapa na fedha zinazohitajika na katika kipindi cha kati tunataraji shughuli hizi kukua na kuchangia katika faida ya chini nzuri. Mipango imeanzishwa ya Kampuni kuuza bidhaa zake zilizoongezwa thamani sio tu nchini bali pia katika eneo na hatimaye kimataifa.

Pili, ujengaji na uanzishaji wa kinu kipya cha kahawa sasa umekamilika na kinu tayari kimeanza kusaga kahawa kavu kutoka kwa mashamba yetu. Kinu kina nafasi ya ziada na kita wasagia kahawa kavu wakulima wengine wa kahawa, kikizalisha mapato kwa Kampuni. Hii ni jitihada nyingine kati ya jitihada kadhaa za kuongeza thamani zilizofanywa na Kampuni.

Tatu, Serikali hatimaye imetangaza kuachwa huru kwa kiasi kwa biashara ya kahawa mnamo Julai 2006 na nina furaha kuwajulisha kuwa Sasini tayari imepata vibali vinavyohitajiwa kwa usagaji wa kibiashara na uuzaji wa kahawa. Sasa Sasini ina udhibiti kamili juu ya mfuatano wa faida kutoka ukuzaji kahawa mpaka kumfikia mtumiaji.

Utoaji wa Hisa za Bahashishi
Kama nyote mnavyojua gawio la mgao wa muda la Shs 1/= kwa kila hisa kuhusiana na mwaka ulioishia tarehe 30 Septemba 2006 lilitangazwa na kulipwa kwa wenye hisa mnamo Oktoba 2006. Wakurugenzi wameamua kutolipa gawio lolote la ziada la pesa taslimu. Ijapokuwa, nina furaha kutangaza kuwa wakurugenzi wenu wameamua kupendekeza kwa wana hisa utoaji wa hisa za bahashishi kwa uwiano wa hisa moja (1) iliolipiwa kikamilifu ya Shs 5/= kwa kila hisa tano (5) zinazomilikiwa na wana hisa kufikia mwisho wa shughuli za biashara tarehe 14 Februari 2007. Hisa za bahashishi zitatolewa kufuatana na idhini zote za kikanuni kupatikana na pia kufuatana na idhini ya wanahisa katika Mkutano Mkuu wa kila Mwaka wa Kampuni utakaofanyika tarehe 23 Februari 2007.

Ugawanyaji wa Hisa
Lazima uwe umeona ongezeko katika bei ya hisa ya Kampuni yako katika miezi michache iliopita. Ongezeko katika bei ya hisa imezifanya hisa kutofikiwa na Wakenya wengi. Wakurugenzi kwa hivyo wameamua kupendekeza kwa wanahisa kuwa hisa za kampuni zigawanywe katika uwiano wa tano (5) kwa moja (1). Kufuatana na idhini zote za kikanuni kupatikana na pia kufuatana na idhini ya wanahisa katika Mkutano Mkuu wa kila Mwaka utakaofanyika tarehe 23 Februari 2007, Hisa tano (5) zilizolipiwa kikamilifu za Shs 1/= kwa kila moja zitatolewa kwa kila hisa moja (1) iliyolipiwa kikamilifu ya Shs 5/= inayomilikiwa na wanahisa kufikia mwisho wa shughuli za biashara tarehe 14 Februari 2007.

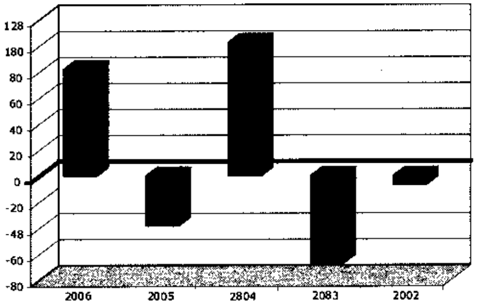
Shukrani
Ningependa kuwashukuru wafanyikazi wote wa timu ya Sasini kwa huduma yao ya kujitolea, kwa kukamilisha mwaka wenye ufaulu na mafanikio yao katika kutekeleza baadhi ya jitihadi mpya katika mwaka, ambazo nina imani zitaleta mgao wa faida ya juu katika miaka inayokuja. Pia, ningependa kuwashukuru Wakurugenzi wenzangu wa Halmashauri kwa usaidizi wao na kujitolea katika jitihada mpya zinazofanywa na Kampuni.

Mwishowe, niseme ahsante maalum kwa wanahisa kwa usaidizi wenu unaoendelea muliotoa kwa Halmashauri katika nyakati nzuri na nyakati mbaya na kutafuta idhini yenu ya jitihada hizi mpya ambazo zitabadilisha Kampuni hii inayozalisha bidhaa kuwa kampuni iliyopanua biashara za ukulima ambayo itazalisha faida za kuendelea kwa wenye hisa.

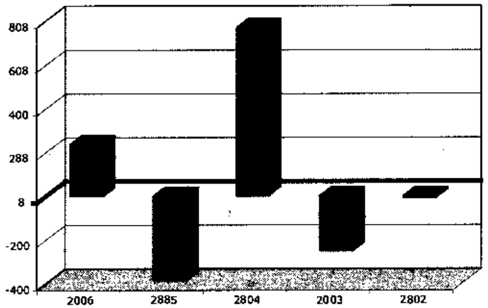
A.P.Hamilton
Mwenyekiti

Graphical Highlights

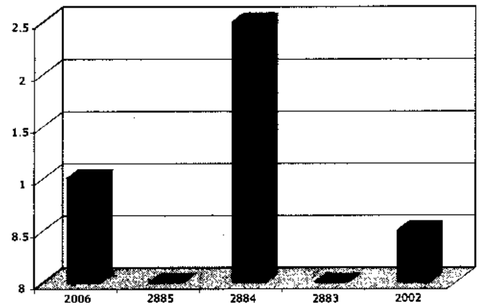
Profit / (Loss) arising from operating activities (KShs millions)



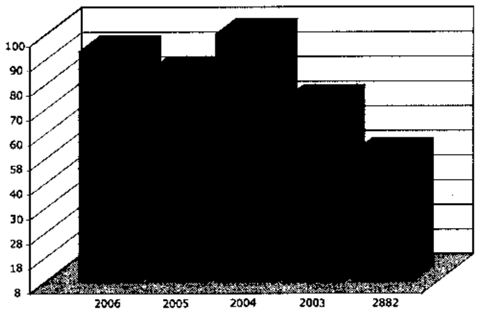
Profit / (Loss) attributable to the members (KShs millions)



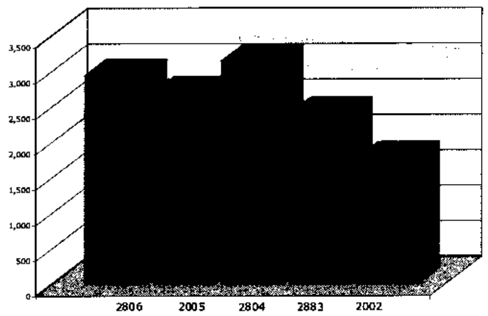
Dividends per Share (KShs)



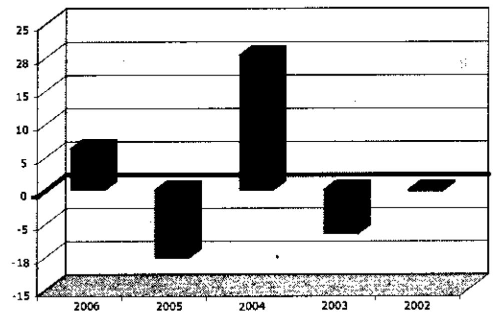
Funds employed per share(KShs)



Shareholders funds (KShs millions)



Earnings per share(KShs)



Salient Features and Financial Calendar

[redacted]

Profit/(Loss) arising from operating activities	K.Shs '000	82,116	(38,212)
Gains/(Loss) arising from changes in fair value of biological assets	K.Shs '000	154,622	(348,382)

[redacted]

Annual Report and Financial Statements circulated in January 2007.

DIVIDENDS

Interim	KShs 1.00 per share paid 27th October 2006	(2005: Nil)

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.

[redacted]

Area	Hectares	1,437	1,437	912	912
Production	Tonnes	8,285	7,355	969	1,235
Sales	Tonnes	7,806	7,534	940	1,298
Gross sales proceeds:					
Tea	K.Shs / Kg	114.14	86.13	-	-
Coffee	K.Shs '000 / Tonne	-	-	202	182

Report Of the Directors

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their annual report and the audited financial statements for the year ended 30 September 2006 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, forestry, dairy operations, livestock and horticulture.

Profit/(Loss) arising from operating activities			82,116	(38,212)
Interim dividend	(2006 - 20%)	(2005 : NIL)	(38,009)	-

SHARE CAPITAL AND RESERVES

The authorised and issued share capital of the Company at 30 September 2006 and matters relating thereto are set out in note 11 to the financial statements.
At the Annual General Meeting of the Company to be held on 23rd February 2007, the directors will be requesting the members to pass resolutions:

(a) Authorising a capitalisation issue subject to all relevant approvals being obtained, of one (1) new ordinary share of KShs.5/- fully paid, for every five (5) held as at 14th February 2007, thereby increasing the issued share capital from KShs.190,046,250 to KShs. 228,055,500.

(b) Splitting and dividing the authorised share of the Company as at 14th February 2007 in the ratio of five (5) to one (1). The par value of the shares shall also be adjusted from KShs.5/- per share to KSh.1/- per share.

Full details of the Group and Company reserves and movements therein during the year are shown on pages 25 and 26 of the financial statements.

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 4.

Messrs. N. N. Merali, M. N. Omar, A. H. Butt, I. A. Timamy, and E. M. Kimani retire by rotation and, being eligible, offer themselves for re-election.

Mr. M. H. Da Gama-Rose did not seek re-election at the last annual general meeting and Mr E. M. Kimani was appointed in his place. Mr. A. P. Hamilton also retires by rotation and being 79 years of age, seeks re-election under the provisions of Section 186(5) of the Companies Act.

Mr. B. M. Williams resigned on 26th May 2006.

Messrs S.N. Merali and M. J. Ernest who were appointed directors on 26th May 2006 to hold office until the conclusion of the Annual General Meeting, also retire and, being eligible, offer themselves for re-election.

Report
Of the
Directors
(Continued)

SUBSTANTIAL SHAREHOLDINGS

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

Legend Investments Limited	41.84	41.84
Yana Towers Limited	12.92	12.92
East Africa Batteries Limited	10.99	12.81

DIRECTORS' INTEREST

Directors' interests in the shares of the Company as at 30th September 2006 were as follows:

Mr. A. P. Hamilton	10,000
Mr. P. W. Muthoka	34,568
Mr. A. H. Butt	100
Mr. I. A. Timamy	1,950
Mr. M. N. Dmar	450
Mr. S. N. Merali	45,000

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

14 December 2006

Ripoti Ya Wakurugenzi

Wakurugenzi wanafuraha kuwakilisha taarifa yao ya mwaka na taarifa za hesabu zilizokaguliwa za mwaka ulioishia tarehe 30 Septemba 2006 zinazoonyesha hali ilivyo ya kundi na Kampuni

SHUGHULI
Shughuli muhimu za kampuni na kampuni zake tanzu ni ukuzaji na utengenezaji wa majani chai na kahawa, biashara ya misitu, shughuli za maziwa na bidhaa zake, ufugaji ng'ombe na kilimo cha bustani.

MATOKEO YA KUNDI NA MGAO WA FAIDA

Faida/(Hasara) inayotokea na kuendesha shughuli			B2,116	(38,212)
Mgao wa faida wa muda	(2006 – 20%)	(2005 : kapa)	(3B,009)	-

RASILIMALI YA HISA NA AKIBA
Rasilimali ya hisa za Kampuni zilizoidhinishwa na kutolewa kufikia tarehe 30 Septemba 2006 na mambo yanayohusiana nazo yanaonyeshwa katika tanbihi ya 11 ya taarifa za kifedha.

Katika Mkutano Mkuu wa kila Mwaka wa Kampuni utakaofanywa tarehe 23 Februari 2007, wakurugenzi watawaomba wanahisa kupitisha mapendekezo:

(a) Kuidhinisha ugawaji wa ugeuzaji mtaji kufuatana na idhini zote zinazofaa kupatikana, wa hisa moja (1) mpya ya kawaida ya KShs 5/= iliyolipiwa kikamilifu kwa kila hisa tano (5) zinazomilikiwa kufikia tarehe 14 Februari 2007, hivyo kuongeza rasilimali ya hisa iliyotolewa kutoka KShs 190,046,250 kuwa KShs 22B,055,500.

(b) Kugawanya rasilimali ya hisa iliyoidhinishwa ya Kampuni kufikia tarehe 14 Februari 2007 kwa uwiano wa tano (5) kwa moja (1) . Thamani ya wastani ya hisa pia itarekebishwa kutoka KShs 5/= kwa kila hisa kuwa KSh 1/= kwa kila hisa.

Maelezo kamili ya Kundi na akiba ya Kampuni na mienendo yake katika mwaka yameonyeshwa katika kurasa 25 na 26 za hesabu.

Maelezo ya mienendo ya Mali, Mitambo na Vifaa yanaonyeshwa katika tanbihi 3 ya taarifa za kifedha.

WAKURUGENZI
Maelezo ya Halmashauri ya Wakurugenzi yanaonyeshwa katika ukurasa wa 4.

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

Bw.M.H.Da Gama-Rose hakuomba kuchaguliwa tena katika mkutano mkuu wa mwaka uliopita na Bw.E.M.Kimani alichaguliwa kuchukua nafasi yake. Bw.A.P.Hamilton pia anastaafu kwa zamu na kwa kuwa ana umri wa miaka 79, anataka kuchaguliwa tena chini ya Kipengele cha sehemu 186 (5) cha Sheria za Makampuni.

Bw.B.M.Williams alijiuzulu tarehe 26 Mei 2006

Mabwana S.N.Merali na M.J.Emest waliochaguliwa wakurugenzi tarehe 26 Mei 2006 kushikilia afisi mpaka mwishoni mwa Mkutano Mkuu wa Mwaka pia wanastaafu na kwa kuwa wanastahili, wanajitolea kuchaguliwa tena.

Ripoti Ya Wakurugenzi (*Kuendelea*)

UMILIKAJI WA HISA NYINGI

Wakurugenzi wanafahamu kuhusu makampuni yanayofuata yanayomiliki asilimia 5 au zaidi ya rasilimali ya hisa zilizotolewa za Kampuni:

UMILIKAJI WA HISA

Legend Investment Limited	41.84	41.84
Yana Towers Limited	12.92	12.92
East Africa Batteries Limited	10.99	12.81

USHIRIKA WA WAKURUGENZI

Ushirika wa wakurugenzi katika hisa za Kampuni kufikia tarehe 30 Septemba 2006 ni kama ufuatao:

Bw.A.P.Hamilton	10,000
Bw.P.W.Muthoka	34,568
Bw.A.H.Butt	100
Bw.I.A.Timamy	1,950
Bw.M.N.Omar	450
Bw.S.N.Merali	45,000

WAKAGUZI

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

14 Desemba 2006

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 eight non-executive directors. The Board is 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-Committee 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 control is effectively administered and to oversee the Group's information technology programme.

Directors' Remuneration
The remuneration for non-executive directors consist of fees and sitting allowances for their services in connection with Board meetings.

The aggregate amount of emoluments paid to directors for services rendered during the financial year ended 30 September 2006 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 regard 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 housing for most of its employees, learning facilities for primary education, a fully fledged hospital equipped with ambulances and other social facilities at the tea and coffee estates. The Company conducts aids awareness programmes at its health facilities. The Company also makes substantial contributions to worthy causes through charitable organisations and agencies.

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 2006 were as follows:

1	Legend Investments Limited	15,902,892	41.84
2	Yana Towers Limited	4,911,774	12.92
3	East Africa Batteries Ltd.	4,365,217	11.48
4	Karim Jamal	1,349,726	3.55
5	Stanbic Nominees Kenya Ltd - A/C R48701	1,066,594	2.81
6	Satchu Aly-Khan	477,770	1.26
7	Mulchand Narshi Shah	468,278	1.23
8	Baloobhai Chhotabhai Patel	450,000	1.18
9	Swani Coffee Estate Limited	372,879	0.98
10	Vithaldas Narshibhai Morjaria	351,964	0.93

The analysis of shareholders by shares distribution

Less than 500	140,634	684	0.37
500 - 5,000	1,258,106	730	3.31
5,001 - 10,000	855,208	145	2.25
10,001 - 100,000	4,040,383	139	10.63
100,001 - 1,000,000	4,118,716	23	10.84
Above 1,000,000	27,596,203	5	72.60

A.P.HAMILTON
Chairman

P.W.MUTHDKA
Managing Director

Statement of Directors' Responsibilities on the Financial Statements

For the year ended 30 September 2006

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**

14 December 2006

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
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We have audited the financial statements set out on pages 22 to 47 for the year ended 30 September 2006, and have obtained all the information and explanations which to the best of our knowledge and belief were necessary for purposes of our audit. The books of accounts are in agreement with the financial statements.

Respective Responsibilities of the Directors and the Independent Auditors
As stated on page 20, 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, give a true and fair view of the state of the financial affairs of the group and the company at 30 September 2006 and of the profit and cash flows of the group for the year then ended and comply with International Financial Reporting Standards and the Kenyan Companies Act.

Ernst & Young
Certified Public Accountants (Kenya)

Nairobi

14 December 2006

Consolidated Balance Sheet As at 30 September 2006

NON-CURRENT ASSETS			
Property, plant and equipment	3(a)	672,744	672,709
Intangible Assets	3(d)	4,516	6,022
Goodwill	3(d)	80	80
Biological assets	5	2,512,301	2,277,588
Prepaid leases - leasehold land	4	13,766	13,799
Capital work-in-progress	3(c)	38,443	7,872
Other investments	7	6,938	6,932
CURRENT ASSETS			
Stocks	8	184,842	110,051
Trade and other debtors	9	174,464	113,703
Tax recoverable	16	-	16,113
Cash and bank balances		222,369	217,865
SHAREHOLDERS' FUNDS AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	11	190,046	190,046
Reserves	12	2,708,900	2,507,379
Proposed dividend	13	38,009	-
NON- CURRENT LIABILITIES			
CURRENT LIABILITIES			
Creditors	15	288,539	226,214
Tax payable	16	5,415	-
Bank overdraft	17	1,858	4,394

The financial statements set out on pages 22 to 47 were approved by the Board of Directors on 14 Decem ber 2006 and signed on its behalf by :

A. P. Hamilton
Director

P. W. Muthoka
Director

Company Balance Sheet As at 30 September 2006

	Note		
NON-CURRENT ASSETS			
Property, plant and equipment	3(b)	349,111	352,738
Biological assets	5	532,384	621,854
Prepaid leases - leasehold land	4	651	670
Capital work-in-progress		38,442	-
Investment in subsidiary companies	6	15,797	15,797
Other investments	7	1,298	1,298
CURRENT ASSETS			
Stocks	8	55,288	12,574
Amount due from subsidiary companies	10	41,865	27,246
Trade and other debtors	9	48,496	21,247
Taxation recoverable		10,600	10,163
Dividend receivable		100,000	-
Cash and bank balances		44,911	108,955
SHAREHOLDERS' FUNDS AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	11	190,046	190,046
Reserves	12	768,505	794,379
Proposed dividends	13	38,009	-
NON-CURRENT LIABILITIES			
CURRENT LIABILITIES			
Creditors	15	59,026	43,607
Amount due to subsidiary companies	10	75,748	2,359
Bank overdraft	17	1,852	785

The financial statements set out on pages 22 to 47 were approved by the Board of Directors on 14 December 2006 and signed on its behalf by :

A. P. Hamilton
Director

P. W. Muthoka
Director

Consolidated Income Statement

For the year ended 30 September 2006

[redacted]			
Turnover	18	1,268,959	931,567
Gains/ (losses) arising from changes in fair value less **estimated point of sale costs**		226,309	(469,260)
Cost of sales	19	(940,484)	(773,846)
[redacted]			
Other operating income	20	44,812	29,242
[redacted]			
Administration and establishment expenses	21	(213,685)	(212,407)
Selling and distribution expenses	22	(15,490)	(10,397)
Other charges and expenses	23	(17,369)	(18,512)
[redacted]			
[redacted]			
Profit/(loss) before tax, minority interests	25	349,493	(524,894)
Taxation (charge) / credit	16	(109,168)	158,998
[redacted]			
[redacted]			
[redacted]			
Profit/(loss) arising from operating activities		82,116	(38,212)
Gains/(loss) arising from changes in fair value of biological assets		154,622	(348,382)
[redacted]			
		K.Shs	**K.Shs**
Earnings /(Loss) per share (Kshs) on normal operations	26	**2.16**	**(1.00)**
Earnings/(Loss) per share (Kshs) on biological assets		**4.07**	**(9.17)**
[redacted]			
Dividends: (K.Shs'000)			
Proposed dividend for the year	13	38,009	-
[redacted]			

Statement of changes in Equity For the year ended 30 September 2006

[redacted]

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)
Losses from fair value adjustments		-	-	-	(348,382)	-	(348,382)
Deferred tax	14	-	2,956	-	-	-	2,956
Dividend Paid		-	-	-	-	(57,014)	(57,014)

[redacted]

Excess depreciation on revaluation		-	(11,840)	11,840	-	-	-
Profit attributable to the members		-	-	82,116	-	-	82,116
Gains from fair value adjustments		-	-	-	154,622	-	154,622
Deferred tax	14	-	2,792	-	-	-	2,792
Proposed dividend for 2006		-	-	(38,009)	-	38,009	-

[redacted]

Statement of changes in Equity For the year ended 30 September 2006

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
Gains from fair value adjustments		-	-	-	61,367	-	61,367
Deferred tax	14	-	(268)	-	-	-	(268)
Dividend paid		-	-	-	-	(57,014)	(57,014)
At 1 October 2005		190,046	421,460	38,357	334,562	-	984,425
Excess depreciation on revaluation		-	(985)	985	-	-	-
Profit attributable to the members		-	-	75,827	-	-	75,827
Losses from fair value adjustments		-	-	-	(63,371)	-	(63,371)
Deferred tax	14	-	(321)	-	-	-	(321)
Proposed dividend for 2006		-	-	(38,009)	-	38,009	-

Consolidated Cash flow Statement

For the year ended 30 September 2006

[redacted]

OPERATING ACTIVITIES			
Cash flows generated from operations	30	95,170	11,667
Interest paid	24	(3,559)	(1,281)
Income taxes paid	16	(5,440)	(10,806)
[redacted]			
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	3(a)	(45,671)	(32,298)
Purchase of intangible assets	3(d)	-	(7,528)
Biological assets	5	(8,404)	(13,893)
Work in progress	3(c)	(30,571)	2,163
Dividend received from trade investments	20	939	958
Interest received	20	3,693	2,913
Proceeds on sale of property, plant and equipment		78	2,280
Purchase of investments	7	(6)	(19)
Acquisition of Subsidiary, net of cash acquired	32	-	2,533
[redacted]			
FINANCING ACTIVITIES			
Dividend paid on ordinary shares		-	(57,014)
[redacted]			
Cash and cash equivalents at the beginning of the year	27	213,471	330,386
Effect of exchange rate changes	20 & 23	811	(16,590)
[redacted]			

SIGNIFICANT ACCOUNTING POLICIES

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

The principal accounting policies adopted in the preparation of these financial statements are set out below.

Basis of preparation

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 2006. 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. The group companies are as set out on note 6.

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 off 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.

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 assessed annually for impairment.

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.

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 and costed at weighted average cost. 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 arising on the revaluations 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 income statement 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 transfered 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;

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 income statement) 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 yrs).

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 income statement 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 income statement.

Retirement benefits

Contributions made to the defined contribution scheme are charged to the income statement 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 income statement 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.

Borrowing costs

Borrowing costs are recognised as an expense when incurred.

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 income statement 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 mature biological assets are recognized in the income statement in the period in which they are incurred. Costs incurred relating to immature biological assets are factored in the fair value adjustment.

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.

Impairment of assets
The group assess, at each reporting date, whether there is an indication that an asset may be impaired. If such indication exists, the group makes an estimate of the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in the income statement.

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.

Notes to the financial statements
For the year ended 30 September 2006
(Continued)

2. BUSINESS AND GEOGRAPHICAL SEGMENTS

a) 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.

[redacted]

Revenue				
Sales to external customers	883,775	193,927	191,257	1,268,959
Other income	15,588	27,523	1,701	44,812

[redacted]

Results

[redacted]

Assets and Liabilities

[redacted]

Other segment information

[redacted]

Notes to the financial statements
For the year ended 30 September 2006 (*Continued*)

2. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

[redacted]

Revenue				
Sales to external customers	637,135	258,827	35,605	931,567
Other Income	7,103	21,577	562	29,242

[redacted]

Results

[redacted]

Assets and Liabilities

[redacted]

Other segment information

[redacted]

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.

Notes to the financial statements For the year ended 30 September 2006 *(Continued)*

3. **PRDPERTY, PLANT AND EQUIPMENT**
Year ended 30 September 2005

CDST OR VALUATION						
At start of year	374,803	475,294	392,627	161,965	61,973	1,466,662
Additions	-	1,504	40,566	1,491	2,110	45,671
Disposals	-	-	-	(220)	-	(220)
Comprising:						
At cost	154,547	95,865	190,595	147,466	51,948	640,421
At valuation	220,256	380,933	242,598	15,770	12,135	871,692
DEPRECIATION						
At start of year	-	272,175	332,646	131,205	57,927	793,953
Charge for the year	-	19,247	13,563	8,025	4,801	45,636
Disposals	-	-	-	(220)	-	(220)
NET BOOK VALUE						

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 527,390,543 (2005 - K.Shs 482,552,868) 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 83,665,180 (2005 - K.Shs 77,238,719).

Year ended 30 September 2005

COST OR VALUATION						
At start of year	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)
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
DEPRECIATION						
At start of year	-	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)
NET BOOK VALUE						

Notes to the financial statements For the year ended 30 September 2006 (*Continued*)

3. PROPERTY, PLANT AND EQUIPMENT(continued)

Year ended 30 September 2005

[redacted]						
COST OR VALUATION						
At start of year	279,846	139,350	79,395	52,992	26,294	577,877
Additions	-	1,504	3,279	1,270	1,632	7,685
[redacted]						
Comprising:						
At cost	64,415	13,700	9,532	33,546	17,276	138,469
At valuation	215,431	127,154	73,142	20,716	10,650	447,093
[redacted]						
DEPRECIATION						
At start of year	-	101,097	54,650	46,679	22,713	225,139
Charge for the year	-	5,282	427	3,022	2,581	11,313
[redacted]						
NET BOOK VALUE						
[redacted]						

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 166,179,489 (2005 : K.Shs 151,007,363) 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 28,457,065 (2005 : K.Shs 26,372,727).

Year ended 30 September 2005

[redacted]						
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)
[redacted]						
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
[redacted]						
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
Oisposals	-	-	-	(2,339)	-	(2,339)
[redacted]						
NET BOOK VALUE						
[redacted]						

Notes to the financial statements
For the year ended 30 September 2006 (*Continued*)

3.(c) CAPITAL WORK IN PROGRESS

The capital work in progress at 30 September 2006 relates to construction of a Coffee Mill at Kamundu Estate

[redacted]

COST		
At 1 October	7,528	-
Additions	-	7,528
[redacted]		
AMORTISATION		
At 1 October	1,506	-
Charge for the year	1,506	1,506
[redacted]		
NET BOOK AMOUNT		
[redacted]		

ii) GOODWIL COST

Arising on acquisition of subsidiary	80	80
impairment	-	-
[redacted]		

4 PREPAID LEASES - LEASEHOLD LAND

[redacted]

At 30 September	**15,260**	**15,260**	**1,210**	**1,210**
AMORTISATION				
Balance brought forward	1,461	1,428	540	521
Charge for the year	33	33	19	19
[redacted]				
NET BOOK AMOUNT				
[redacted]				

Notes to the financial statements
For the year ended 30 September 2006
(*Continued*)

5 BIOLOGICAL ASSETS

Carrying amount as at 1.10.2005	827,703	1,226,023	205,439	4,883	13,540	2,277,588
Gains /(Losses) arising from changes in fair value less estimated point of sale costs	(68,255)	307,356	535	(4,219)	1,079	236,496
Increases due to purchases/plantings	295	6,861	699	-	549	8,404
Decreases due to harvest	-	-	(10,187)		-	(10,187)
The Company						
Carrying amount as at 1.10.2005	563,142	-	55,693	-	3,019	621,854
Gains /(Losses) arising from changes in fair value less estimated point of sale costs	(92,729)	-	2,591	-	(392)	(90,530)
Increases due to purchases/plantings	-	-	511	-	549	1,060

The group is involved in the growing, processing and selling of tea and coffee and breeding of dairy cattle. At 30 September 2006, the company held 171 cows able to produce milk, 133 calves that are raised to produce milk in the future, 84 bull calves and 337 sheep. The group produced 818,871 litres of milk with a fair value less estimated point of sale costs of Kshs 18,435,216 in the year.

The group has 856 hectares of mature coffee bushes and 56 hectares of young coffee bushes. The group harvested 1,032,249 kgs of coffee with a fair value less estimated point of sale costs of Kshs 158 million.

The group has 1,391 hectares of mature tea bushes and 46 hectares of young tea bushes. The group harvested 17,590,025 kgs of green tea leaves with a fair value less estimated point of sale costs of Kshs 338 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. Future cashflows have been discounted at 20% i.e the discount rate and cost of inflation.

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 20yrs, Tea bushes 30 yrs),
- The climatic conditions will remain constant
- The selling prices to remain constant
- Cost inflation at 5%
- The fair value of livestock is determined based on market prices of livestock of similar age and sex.

Notes to the financial statements For the year ended 30 September 2006 *(Continued)*

Company

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 the 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 cattle 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

Trade investments:	Quoted	31	31	31	31
	Unquoted	6,907	6,901	1,267	1,267

The quoted trade investments of the Group and the Company have a market valuation of KShs 30,880 (2005 : K.Shs 30,880) and K.Shs 30,880 (2005 : 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 (2005: K.Shs 29,993,291) and K.Shs 1,267,480 (2005 : K.Shs 1,267,480) respectively.

Notes to the financial statements For the year ended 30 September 2006 (*Continued*)

[redacted]

Tea	87,650	46,072	23,920	-
Tea and tree nurseries	6,235	5,402	-	-
Coffee	58,690	25,963	21,202	9,487
Estate stores	32,267	32,614	10,166	3,087
[redacted]				

9. DEBTORS

Trade debtors	71,311	34,430	3,932	7,993
Other debtors and prepaid expenses	103,153	79,273	44,564	13,254
[redacted]				

10. SUBSIDIARY COMPANY BALANCES

[redacted]

11. SHARE CAPITAL

Authorised:

[redacted]

Issued and fully paid:

[redacted]

12. RESERVES

Capital reserves	990,243	999,291	420,154	421,460
Biological assets fair value	1,180,201	1,025,579	271,191	334,562
Revenue reserves	538,455	482,508	77,160	38,357
[redacted]				

[redacted]

13. DIVIDENDS	**K.Shs '000**	**K.Shs '000**
Proposed dividend	38,009	-
[redacted]		

The dividend per share is calculated on total dividends of K.Shs 38,009,250 (2005 : 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.

Notes to the financial statements
For the year ended 30 September 2006
(Continued)

[redacted]

The provision for deferred tax comprises :				
Excess of tax allowances over depreciation	50,147	48,575	4,241	5,495
Tax losses	(25,665)	(23,363)	-	-
Other temporary differences	(48,067)	(60,169)	(14,809)	(7,513)
Biological Assets	527,760	459,867	116,225	143,384
Deferred tax movement:				
Balance brought forward	424,910	590,503	141,366	114,279
Adjustment on acquisition of subsidiary	-	143	-	-
Balance carried forward	504,175	424,910	105,657	141,366
Analysis of movement during year:				
Capital reserves credit	(2,792)	(2,956)	321	268
Minority Interest share	(143)	(147)	-	-
Revenue reserves credit	82,200	(162,347)	(36,030)	26,819

15. CREDITORS

Trade creditors	50,699	38,922	23,843	15,409
Other creditors	87,153	48,585	10,551	7,888
Accrued expenses	150,687	138,707	24,633	20,310

16. TAXATION

[redacted]

Balance Sheet		
Balance brought forward	(16,113)	(8,592)
Adjustment on acquisition of Subsidiary	-	(64)
Charge for the year	26,968	3,349
Paid during the year	(5,440)	(10,806)
Income Statement		
Tax on taxable profit for the year at 30%	26,968	3,349
Charge for the year (above)	26,968	3,349
Deferred tax charge /(credit)	14,307	(21,569)
Deferred tax charge /(credit) on biological assets	67,893	(140,778)

Dividend tax account

The group and the company have a credit balance on the dividend tax account of K.Shs 309,735,223 and K.Shs 127,153,422 respectively, which includes tax payments to 30 September 2006. There is therefore no compensating tax payable for the year.

Notes to the financial statements For the year ended 30 September 2006 (*Continued*)

16. TAXATION (continued)

[redacted]

Reconciliation of tax charge

Tax applicable rate of 30 %	104,848	(157,468)
Tax effects of items not deducted for tax	69,562	(139,367)
Originating and reversing temporary differences	(65,242)	137,837

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 with the Bank.

[redacted]

Tea	883,775	637,135
Coffee	339,517	258,827
Retail	7,934	-
Livestock	3,929	4,895
Dairy produce	18,703	18,803
Horticulture	15,101	11,907

19. COST OF SALES

Stock movements	(74,305)	4,728
Stock adjustment	2,093	-
General charges	112,377	119,317
Plantation maintenance costs	264,266	272,160
Production expenses	183,020	196,429
Green leaf purchases	250,144	114,206
Coffee purchases	131,918	34,147
Shipping costs	7,098	1,011
Livestock expenses	17,746	17,139
Retail trading expenses	33,170	-
Horticulture expenses	12,957	14,709

Notes to the financial statements
For the year ended 30 September 2006
(Continued)

20. OTHER OPERATING INCOME

Interest income	3,693	2,913
Dividend income	939	958
Gain on exchange	1,630	-
Profit on disposal of property, plant and equipments	78	1,980
Rent received	6,568	6,504
Sundry income	31,904	16,887

21. ADMINISTRATION AND ESTABLISHMENT EXPENSES

Staff costs (Note 31)	86,430	86,324
Insurance and medical costs	14,490	19,137
Administration costs	34,144	35,357
Auditors' remuneration	1,933	1,800
Legal and professional charges	1,555	1,195
Secretarial costs	3,000	3,000
Travelling and accommodation costs	2,171	230
Office expenses	8,388	11,010
Directors' emoluments	2,207	2,200
Other expenses	12,192	5,063
Amortisation of leasehold land	33	33
Depreciation	47,142	47,058

Notes to the financial statements For the year ended 30 September 2006 *(Continued)*

22. SELLING AND DISTRIBUTION EXPENSES

[redacted]

23. OTHER CHARGES AND EXPENSES

Livestock expenditures	2,014	1,694
Mombasa office expenses	2,058	228
Retail trading expenses	12,478	-
Loss on exchange	819	16,590

[redacted]

24. FINANCE COSTS

[redacted]

25. PROFIT/(LOSS) BEFORE TAXATION

The profit/(loss) before taxation is arrived at after charging:		
Depreciation	47,142	47,058
Amortisation of leasehold land	33	33
Pension scheme contributions	5,333	5,852
Directors' emoluments:- fees	2,207	2,200
- other	4,894	4,807
Auditors' remuneration	1,933	1,800
(Company : K.Shs 600,000 (2005 : K.Shs 600,000))		
Bank charges and interest	3,559	1,281
Foreign exchange loss	819	16,590
And after crediting:		
Income from trade investments	939	958
Interest income	3,693	2,913
Foreign exchange gain	1,630	-
Gain on disposal of property, plant and equipment	78	1,980

26. EARNINGS/(LOSS) PER SHARE

The calculation of earnings/(loss) per share is based on the profit after taxation and minority interests of K.Shs 236,738,000 (2005 : Loss of K.Shs 386,594,000) and on 38,009,250 ordinary shares.

[redacted]

Bank balances, cash and short-term deposits	222,369	217,865
Bank overdraft	(1,858)	(4,394)

[redacted]

28. PROFIT ATTRIBUTABLE TO THE MEMBERS

The profit dealt with in the financial statements of the parent company is K.Shs 12,455,611 (2005 : K.Shs 61,406,767), after recognising dividend income from subsidiary companies in the year to which it relates.

[redacted]

Authorised and contracted for	10,071	-	-	-

The capital commitments relates to the completion costs of the ongoing construction of the Kamundu Coffee Mill.

Notes to the financial statements For the year ended 30 September 2006 (*Continued*)

30. CASH FLOWS GENERATED FROM OPERATIONS

[redacted]

Reconciliation of profit/(loss) before tax to cash generated from operations

[redacted]

Adjustments for:		
Depreciation and amortisation	47,175	47,091
Foreign exchange loss/(gain)	(811)	16,590
Interest received	(3,693)	(2,913)
Dividend received from trade investments	(939)	(958)
Interest expense	3,559	1,281
Gains on disposal of property, plant and equipments	(78)	(1,980)
(Gains)/Loss arising from changes in fair value less estimated point of sale costs	(226,309)	469,260
[redacted]		
(Increase)/decrease in stocks	(74,791)	2,189
(increase)/decrease in debtors	(60,761)	953
Increase in creditors	62,325	5,048
[redacted]		

Notes to the financial statements
For the year ended 30 September 2006
(Continued)

31. RELATED PARTY TRANSACTIONS

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

Ryce Motors Limited	142	187
Ryce Engineering Limited	30	35
OEL Sysnet Limited	-	169
Tyre Centre Limited	-	158
Sameer Investments Limited	1,180	270
Sameer Management Limited	25	390
Celtel Kenya Limited	1,184	1,129
Dimension Data Solutions Limited	-	173
Yansam Motors Limited	211	8,355
Sameer Africa Limited	183	417
Swift Global Kenya Limited	328	328

The company also shares common directors with one of its bankers, who provided 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.

One of the company's directors is its legal adviser, 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.

Staff costs		
Salaries and wages	79,678	80,880
Staff leave accruals	1,116	248
Pension costs- defined contribution scheme	5,333	4,988
National Social Security Fund	303	208

Notes to the financial statements For the year ended 30 September 2006 (*Continued*)

32. 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:

[redacted]	
Property, plant and equipment	809
Deferred tax asset	143
Debtors	64
Income tax asset	64
Cash and cash equivalents	3,533
Creditors	(375)
[redacted]	
Net Assets	920
Goodwill	80
[redacted]	
Net cash inflow arising on acquisition:	
Cash consideration	1,000
Bank balances acquired	(3,533)
[redacted]	

[redacted]

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 tea and coffee auctions transactions and bank balances are in foreign currency, the Group converts its foreign currency proceeds within reasonable time to mitigate foreign currency variations and had no significant foreign currency exposure as at 30 September 2006.

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. INCORPORATION
The Company is domiciled and incorporated in Kenya under the Kenyan Companies Act.

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

Five year Comparative Statement

PRODUCTION AND SALES STATISTICS						
TEA						
Area	- Hectares	1,437	1,437	1,417	1,354	1,354
Production	- Kilograms	8,284,916	7,355,192	8,736,298	8,227,000	7,544,289
Sales	- Kilograms	7,806,299	7,534,269	8,575,641	8,198,000	7,624,383
Net sales proceeds	- K.Shs / Kg	114.14	86.13	100.51	90.25	88.51
COFFEE						
Area	- Hectares	912	912	912	911	911
Production	- Tonnes	969	1,235	1,026	987	1,113
Sales	- Tonnes	940	1,298	1,205	917	1,224
Net sales proceeds	- K.Shs '000 / tonne	202	199	141	107	125
Gains/(losses) arising from changes in fair value less						
Profit/(loss) before taxation and minority interests		349,493	(524,894)	1,104,137	(364,955)	(68,415)
Profit/(loss) after taxation before minority interests		240,325	(365,896)	776,664	(261,338)	(58,608)
Minority interests		(3,587)	(20,698)	(5,502)	8,982	9,846
Profit/(loss) attributable to the members		236,738	(386,594)	771,162	(250,307)	(6,940)
Dividend		(38,009)	-	(95,023)	-	(19,005)

Five year Comparative Statement *(Continued)*

CAPITAL EMPLOYED

Property, plant and equipment		672,744	672,709	685,454	706,275	1,707,904
Intangible Assets		4,516	6,022	-	-	-
Goodwill		80	80	-	-	-
Biological assets		2,512,301	2,277,588	2,732,955	1,755,363	-
Prepaid leases- Leasehold land		13,766	13,799	13,832	13,865	13,898
Capital work in progress		38,443	7,872	10,035	6,577	2,268
Investments		6,938	6,932	6,913	6,060	11,385
Net current assets		285,863	227,124	348,337	288,164	224,855
FINANCED BY						
Share capital		190,046	190,046	190,046	190,046	190,046
Reserves		2,708,900	2,507,379	2,891,017	2,211,262	1,564,866
Proposed dividend		38,009	-	57,014	-	-
Minority interests		93,521	89,791	68,946	63,260	89,418
Deferred Tax		504,175	424,910	590,503	311,736	32,925
Loans		-	-	-	-	83,055
RATIOS						
Earnings/(loss) per share	(K.Shs)	6.23	(10.17)	20.29	(6.59)	(0.18)
Dividend per share	(K.Shs)	1.00	-	2.50	-	0.50
Dividend cover	(Times covered)	6.23	-	8.12	-	(0.37)
Capital employed per share	(K.Shs)	93.00	84.51	99.91	73.04	51.57

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

Kipkebe
Tea
Factory
Sotik