

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2007

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SASINI LIMITED (Formerly Sasini Tea and Coffee Limited) AND SUBSIDIARIES

COMPANY INFORMATION FOR THE YEAR ENDED 30 SEPTEMBER 2007

Directors

Dr. J. B. McFie, PhD. OGW (*Chairman-appointed on 30 August 2007*)
A. P. Hamilton* (*former Chairman retired on 30 August 2007*)
N. N. Merali, CBS
M. N. Omar (*resigned on 30 August 2007*)
A. H. Butt, CPA(K), FCCA
E. M. Kimani, LLB, CPA(K), CPS(K)
S. N. Merali, MSc.
M. J. Ernest*, BA, FCA
Mrs. L. W. Waitthaka, MSc. (*appointed on 30 August 2007*)
I. A. Timamy, LLB, CPS
P. W. Muthoka, MA, FKIB, MBS (Managing)

*British

Secretary

I. A. Timamy, LLB, CPS(K)

Advocates

Shapley Barret & Co.
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
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0722 200706, 0734 200706
E-mail
info@sasini.co.ke
Website
www.sasini.co.ke

Ernst & Young
Kenya Re Towers, Upperhill
P. O. Box 44286
00100 GPO
NAIROBI

Bankers

Barclays Bank of Kenya Limited
Barclays Plaza
P. O. Box 46661
00100 GPO
NAIROBI

Commercial Bank of Africa Limited
Mara & Ragati Roads, Upper hill
P. O. Box 30437
00100 GPO
NAIROBI

Equatorial Commercial Bank Limited
Nyerere Road Branch
P.O. Box 52467
00200 GPO
NAIROBI

Kenya Commercial Bank Limited,
KCB Kiambu,
P. O. Box 81
KIAMBU

2008/1310

NOTICE OF MEETING

Notice is hereby given that the **56th ANNUAL GENERAL MEETING** of the members will be held at Kamundu Estate, Kiambu on **Thursday, 6th March 2008, at 11.30 a.m.** for the following purposes:

1. To confirm the minutes of the 55th Annual General Meeting held on 23rd February 2007.
2. To receive, consider and if deemed fit, adopt the annual financial statements for the year ended 30th September 2007 together with the reports thereon of the Directors and of the Auditors.
3. To elect Directors:
 - (i) N.N. Merali, a Director retiring by rotation, who being eligible, offers himself for re-election.
 - (ii) A.H Butt, a Director retiring by rotation, who being eligible, offers himself for re-election.
 - (iii) I.A. Timamy, a Director retiring by rotation, who being eligible, offers himself for re-election.
 - (iv) S.N. Merali, 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) M. J. Ernest, a Director retiring by rotation, who being eligible, offers himself for re-election.
 - (vii) Dr. J. B. McFie was appointed a Director on 30th August 2007 to hold office until the conclusion of the Annual General Meeting, retires, and being eligible, offers himself for re-election.
 - (viii) Mrs. L. W. Waithaka was appointed a Director on 30th August 2007 to hold office until the conclusion of the Annual General Meeting, retires, and being eligible, offers herself for re-election.
4. To confirm the Directors' emoluments
5. To appoint Ernst & Young as Auditors for the ensuing year and authorize Directors to fix their remuneration.
6. **Special Business**
To consider and if thought fit, pass the following resolution, as a special resolution:

Resolution

THAT the Articles of Association of the Company be amended by deleting the present Regulation 134 and adopting new Regulation 134 to read as follows:

134. "Any notice or other document may be served by the Company on any member or Director either personally or by sending it through the post in a prepaid cover addressed to such Member or Director at his registered address as appearing in the Register or the Company's other records where such address shall be within or outside Kenya or by electronic email, facsimile or telex as aforesaid or such other address as shall be notified by such Member or Director to the Company from time to time. In the case of joint holders of a share, all notices shall be given to that one of the joint holders whose names stands first in the register and notice so given shall be sufficient to all the joint holders."

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

By order of the Board

I. A. Timamy
Company Secretary

Nairobi
15 January 2008

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 sita (56) wa wanachama utafanyika katika shamba la Kamundu, Kiambu, Alhamisi, tarehe 6 Machi 2008, saa tano na nusu asubuhi kwa madhumuni yafuatayo:

1. Kuthibitisha matokeo ya mkutano mkuu wa hamsini na tano (55) uliofanyika tarehe 23 Februari 2007.
2. Kupokea, kuchunguza na ikionekana sawa kuidhinisha taarifa za kifedha za mwaka uliomalizikia tarehe 30 Septemba 2007, pamoja na taarifa za wakurugenzi na wakaguzi wa hesabu kuhusiana na hesabu hizo.
3. Kuwachagua wakurugenzi:
 - (i) N.N.Merali, mkurugenzi anayestaafu kwa zamu, ambaye kwa kuwa ana haki ya kuchaguliwa, anajitolea kuchaguliwa tena.
 - (ii) A.H.Butt, mkurugenzi anayestaafu kwa zamu, ambaye kwa kuwa ana haki ya kuchaguliwa, anajitolea kuchaguliwa tena.
 - (iii) I.A.Timamy, mkurugenzi anayestaafu kwa zamu, ambaye kwa kuwa ana haki ya kuchaguliwa, anajitolea kuchaguliwa tena.
 - (iv) S.N.Merali, 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) M.J.Ernest, mkurugenzi anayestaafu kwa zamu, ambaye kwa kuwa ana haki ya kuchaguliwa, anajitolea kuchaguliwa tena.
 - (vii) Dkt. J.B. McFie alichaguliwa mkurugenzi tarehe 30 Agosti 2007 kushikilia afisi mpaka mwishoni mwa mkutano mkuu, anastaafu, na kwa kuwa ana haki ya kuchaguliwa, anajitolea kuchaguliwa tena.
 - (viii) Bi. L.W. Waitthaka alichaguliwa mkurugenzi tarehe 30 Agosti 2007 kushikilia afisi mpaka mwishoni mwa mkutano mkuu, anastaafu, na kwa kuwa ana haki ya kuchaguliwa, anajitolea kuchaguliwa tena.
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. **Shughuli Maalum**
Kuchunguza na ikionekana sawa kupitisha uamuzi ufuatao kama uamuzi maalum.

Uamuzi

Kuwa Kanuni za Kampuni zirekebishwe kwa kufuta kanuni ya sasa ya 134 na kuchukua kanuni ya 134 mpya kusoma kama ifuatavyo:

134. " Ilani yoyote au hati nyingine inaweza kutolewa na Kampuni kwa Mwanachama yeyote au Mkurugenzi ama kwa mkono au kutumwa kupitia posta kwa kulipiwa kimbele na kuandikwa anwani ya huyo Mwanachama au Mkurugenzi na kutumwa kwa anwani yake iliyosajiliwa kama inavyojitokeza katika Rejista au rekodi nyingine za Kampuni ambapo anwani hiyo itakuwa nchini au nje ya Kenya au kwa barua pepe, kipepesi au teleksi ikiandikwa anwani kama ilivyotajwa au anwani nyingine kama hiyo kama itakavyojulishwa na Mwanachama huyo au Mkurugenzi kwa Kampuni muda hadi muda. Katika hali ya washikilizi wa pamoja wa hisa, ilani zote zitatolewa kwa yule mmoja wa washikilizi wa pamoja ambaye kwamba jina lake linajitokeza mwanzo katika rejista na ilani inayotolewa itatosheleza kwa wote wanaoshikilia pamoja."

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

Kwa Amri ya Halmashauri

I.A.Timamy
Katibu wa Kampuni
Nairobi

15 Januari, 2008

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**Economy**

After an impressive performance in 2005, the world economy managed to maintain a growth rate of 3.9% in the year 2006, largely driven by the developing economies, which grew at an estimated 7%. Whilst the East and South Asia regions remained the highest growth areas, growth in the other regions, including Sub-Saharan Africa, has also been relatively strong, at over 5%. Sustained growth in the economies of Sub-Saharan Africa since 2000 provides grounds for optimism. One of the features of the world economy over the past year was the steady weakening of the US Dollar.

Kenya's economic recovery has continued for the fourth continuous year. The economy grew by an annualised 6.1% in 2006 compared to 5.7% in 2005. Leading economic indicators in January-September 2007 point to favourable economic growth as the economy grew by an annualised 7.1% in the second quarter of 2007 compared to an annualised 5.8% in the second quarter of 2006. The stable macro economic environment and conducive business environment were maintained during the year with appropriate monetary and fiscal policies. While the agricultural sector grew by 5.5%, and the manufacturing sector by 6.9%, wholesale & retail trade, hotels & restaurants and transport & communications grew by 11.5%, 17.1% and 10.8% respectively. In the agricultural sector, tea and horticulture recorded strong growth in production volumes while sugarcane remained stable and coffee recorded a small decline in production. However, the continuously appreciating strength of the Kenya Shilling is posing a very strong challenge to all export industries and the tourism industry and has indeed had a very adverse effect on their profitability. With all the trade conducted in US Dollars, the tea and coffee sector has been specially affected by the weak US Dollar.

All the macro economic indicators like inflation, exchange rate, balance of payments, interest rates and revenue collection were positive. Foreign exchange reserves held by the Central Bank of Kenya increased from USD 2,402 Million at end of September 2006 to USD 2,820 Million at the end of September 2007.

On the negative side, the rebuilding of the infrastructure has continued to be slow and the war on corruption has not been entirely effective. But for these negative factors, Kenya's economic growth could have been much higher. For the companies in the export sector however, the continuing strength of the Kenyan Shilling has been the single most negative factor, with a devastating effect on the bottom-line.

Of special significance during the period under review was the launch of Kenya Vision 2030 document. This is the country's blueprint for development and growth covering the period 2008 to 2030. It aims at making Kenya "a newly industrializing middle income country providing high quality life for all its citizens by the year 2030". The private sector has a major role to play in realizing this dream and Sasini is determined to play its part to the full.

Company Performance

In the Financial Year ended 30 September 2007, the Company achieved a record tea production and a very good coffee crop. Despite this creditable performance the Company ended the year with an operating loss after tax of Shs.31.05 million. The principal reason for this was the continuing strength of the Kenyan Shilling and substantially lower international tea prices compared to the previous year. The strong Shilling contributed a loss of K.Shs.68 Million compared to FY 2005-06 and K.Shs.174 Million compared to FY 2004-05.

Tea production of 9.94 million kgs of Made Tea was achieved during the year (2006: 8.29 million) with production of 5.81 million kgs of the production coming from our own estates (2006: 4.16 million) and 4.12 million kgs coming from out growers' leaf (2006: 4.13 million). Tea sales for the period were 10.22 million kgs (2006: 7.81 million). The average realisation per kilogram dropped steeply to K.Shs.94.79 from K.Shs.114.14 in the previous year due to a combination of lower international prices and fewer shillings per US Dollar. The fields also performed exceedingly well with Made Tea per hectare rising to 4,182 from 3,789 kgs in the previous year. In addition, there was a capital gain of K.Shs.32.03 million from the sale of shares held by us in Kenya Tea Packers Limited.

CHAIRMAN'S STATEMENT (continued)

The company's coffee operations produced 1,302 tonnes of coffee during the year (2006: 969 Tonnes) and sales during the year were 1,181 tonnes (2006: 940 tonnes). The average price realisation during the year was K.Shs.200,164 per tonne (2006: 201,744).

The company's horticultural and dairy and livestock operations continued to be profitable and having achieved certifications and expertise in these areas, Sasini intends to scale up these operations at the appropriate time.

The exchange rate poses the single most critical challenge to Sasini, other threats being fluctuating international commodity prices and undependable weather patterns. In the light of these factors, Sasini has taken certain critical steps such as quality improvement, diversification and scaling up the value chain.

Notwithstanding strict cost control measures undertaken by the company, high input costs, especially labour costs, and the cost of energy and fertilizers and chemicals, continue to remain matters of concern in both the tea and coffee sectors and even a marginal drop in international prices can have serious and negative consequences for the industry.

Plan for Strategic Growth.

In the light of these adverse factors which are beyond the control of management, the company has developed a strategy, incorporated in the Sasini Vision 2012 document, to counter these challenges and the key elements of this strategy are quality improvement, diversification and scaling up the value chain. To elaborate further, the company is investing in factory machinery up gradation in both the coffee and tea sectors, has entered the value added tea and coffee market, established a coffee mill and expanded its capacity, and the latest initiative is the launch of the "SAVANNA" lifestyle coffee lounge.

The Coffee Mill, which became operational in late 2006, processed about 4,000 tonnes of coffee in the first year of operations, out of which 2,000 tonnes were from Sasini's farms and the balance from other coffee farmers and coffee cooperatives, large and small from all over Kenya. The factory has been further expanded with additional warehousing facilities and machinery to double the installed capacity to 6 tonnes per hour. Sasini group also has the requisite licenses to market all the coffee milled at the factory. It is heartening to note that the coffee milling operations were profitable even in the first year of operations. The coffee mill and the allied marketing activity are expected to generate handsome profits in the coming years.

Since liberalization of the coffee industry in July 2006, Sasini now has complete control over the value chain from growing of coffee up to the consumer.

The first SAVANNA Coffee lounge is operational and the response from the public has been very encouraging. Two more lounges are expected to be operational within the next few months and the locations have been identified and contracted. It is intended to take this concept to other cities in the country and abroad, some owned and others through the franchise model. This segment is expected to generate early returns and grow to form a significant component of Sasini's operations.

The other important initiative which Sasini has embarked upon is value added teas and coffees. A significant amount of money has gone into setting up the facilities, in product development and brand building. This is an initiative which requires considerable investment and a fairly long gestation period but the long term potential is immense.

Sasini has also identified Exports as an avenue for growth and has set up an Export Department headed by an experienced executive. We see exciting prospects in the area of export of both value added, blended and bulk tea and coffee and this activity will make a positive contribution to profitability.

CHAIRMAN'S STATEMENT (continued)

Sasini has already invested considerable funds in these new initiatives and further funds are required to finance the growth plans. With the strong shilling affecting our cash flows negatively, there was need to raise funds for the medium term. To this end, Sasini has successfully issued a five-year fixed rate Note for K.Shs.600 Million, which will be traded on the Nairobi Stock Exchange. Sasini is proud to be the first agro-based company to adopt this method of raising finance. As a part of the process Sasini was credit rated by the Global Credit Rating Company and we are indeed proud to be rated A2 for the short term and BBB+ for the long term.

It is difficult at the present time to give an indication of the profitability in the current year. The value added activity is expected to break even. The profitability of the coffee and tea estates will, as usual depend upon a number of factors beyond our control, though early indications in 2008 point towards higher prices and more shillings per US Dollar. While we are exploring every opportunity to stay profitable in the immediate future, we are confident that the Group will be profitable in the medium and long term.

Sasini continues to place considerable importance on being a model corporate citizen and towards this end the employees, who total more than 5000, are provided for in the areas of housing, education and health to the maximum extent possible. Sasini also lays great stress on being a good neighbour in all the geographical areas that it operates in and reiterates its concern for the environment. This is expressed by meeting all the requirements of the Environmental Management and Co-ordination Act.

As part of its accent on excellence in all its activities, Sasini has acquired reputable international and local certifications covering all its operations. The certifications include UTZ Certified (Coffee), Ethical Tea Partnership of UK, EurepGap (Horticulture), and KEBS Diamond Mark of quality (Dairy and Value Added Products). Sasini is now examining the acquisition of HACCP and Fairtrade certifications.

Strict adherence to good Corporate Governance and the rules and regulations of CMA and NSE are observed. It is also a matter of pride to note that the number of shareholders in Sasini has risen from 1,700 at the end of September 2006 to more than 6,000 at the end of September 2007. We take this as a vote of confidence by the public in Sasini and its future.

I took over from my predecessor, Mr. A.P. Hamilton on 30 August 2007 and am delighted to be associated with Sasini in an exciting and challenging period of its history. I wish to thank Mr. A.P. Hamilton for his services during his tenure at the helm of the company. I also wish to thank all members of the Sasini team, under the able and strategic leadership of the Managing Director, Mr. Peter W. Muthoka, for their dedicated service and their achievements in implementing some of the strategic initiatives during the year. I am confident the successful implementation of the strategic plan will yield rich dividends in the years ahead. I also wish to thank my fellow Board Members for their support and commitment to the new initiatives being undertaken by the Group.

Finally I would like to thank the Shareholders of the company for the support that they have extended to the Management and the Board through the good times and the bad times and seek their continued support as Sasini undergoes a strategic transformation.

James B McFie
Chairman

TAARIFA YA MWENYEKITI**Uchumi**

Baada ya utendaji wa kuvutia katika mwaka 2005, uchumi wa ulimwengu uliweza kudumisha kiwango cha ukuaji cha asilimia 3.9 katika mwaka 2006, zaidi ikitokana na chumi zinazoendelea zilizokua kwa kisio la asilimia 7. Wakati sehemu za Asia Mashariki na Kusini zilibakia maeneo yenye ukuaji mkuu kabisa, ukuaji katika sehemu nyingine pamoja na nchi chini ya Sahara pia yamekuwa na nguvu kiasi, kwa zaidi ya asilimia 5. Ukuaji ulioendelezwa katika chumi za nchi chini ya Sahara kutokea mwaka 2000 unatoa nafasi ya kuwa na matumaini mema. Sifa mojawapo ya uchumi wa ulimwengu katika mwaka uliopita ni kule kudhoofika taratibu kwa dola ya Kimarekani.

Ahueni ya uchumi wa Kenya imeendelea kwa mwaka wa nne mfululizo. Uchumi ulikua kwa asilimia 6.1 katika mwaka 2006 ukilinganisha na asilimia 5.7 katika mwaka 2005. Dalili zinazoongoza za kiuchumi baina Januari Septemba 2007 zinaashiria ukuaji mzuri wa kiuchumi, wakati uchumi ulikua kwa asilimia 7.1 katika robo ya pili ya mwaka 2007 ikilinganishwa na asilimia 5.8 katika robo ya pili ya mwaka 2006. Mazingira thabiti ya uchumi mkuu na mazingira yafaayo ya kibiashara yalidumishwa katika mwaka kupitia sera zifaazo za mambo ya kifedha na za hazina ya Serikali. Wakati sekta ya kilimo ilikua kwa asilimia 5.5, na sekta ya utengenezaji kwa asilimia 6.9, biashara ya jumla na rejareja, hoteli na mikahawa na usafiri na mawasiliano zilikuwa kwa asilimia 11.5, 17.1 na 10.8 mtawalia. Katika sekta ya kilimo, majani chai na kilimo cha bustani zilirekodi ukuaji imara wa wingi wa uzalishaji hali miwa ilibakia thabiti na kahawa ilirekodi upungufu mdogo katika uzalishaji. Ijapokuwa, kuendelea kuongezeka kwa nguvu ya shilingi ya Kenya kila siku kunatoa changamoto kubwa sana kwa biasharanje zote na biashara ya utalii na hasa imekuwa na athari mbaya sana kwa faida yao. Sekta za majani chai na kahawa zimeathiriwa zaidi na hio dola dhaifu ya Kimarekani, kwa vile biashara zote zinaendeshwa kwa dola za Kimarekani.

Dalili zote za uchumi mkuu kama kupanda kwa gharama za maisha, kiwango cha ubadilishaji wa pesa za kigeni, urari wa malipo, viwango vya riba na ukusanyaji wa mapato zilikuwa nzuri. Akiba ya ubadilishaji wa fedha za kigeni inayoshikiliwa na Benki Kuu ya Kenya iliongezeka kutoka dola za Kimarekani milioni 2,402 mwishoni mwa Septemba 2006 hadi dola za Kimarekani milioni 2,820 mwishoni mwa Septemba 2007 dhidi ya upungufu unaongezeka katika akaunti sasa. (Dola za Kimarekani milioni 907 katika mwaka kufikia Agosti 2007).

Kwa upande hasi, ujengaji upya wa muundo msingi umeendelea kuwa wa taratibu sana na vita dhidi ya rushwa havikufaa vyote. Kama si kwa vipengele hivi hasi, ukuaji wa kiuchumi wa Kenya ungekuwa mkubwa zaidi. Ijapokuwa, kwa kampuni zilizoko katika sekta ya biasharanje, kuimarika kwa shilingi ya Kenya kunakoendelea kila siku kumekuwa ndiyo kipengele kimoja hasi zaidi, kikiwa na athari mbaya sana katika matokeo.

La umuhimu maalum katika kipindi kinachoangaliwa ni uzinduzi wa hati ya Maono ya Kenya ya mwaka 2030. Hii ni mipango makini ya maendeleo na ukuaji wa nchi ya baina ya 2008 hadi 2030. Inalenga kuifanya Kenya "nchi mpya inayoendeleza viwanda ya mapato ya kati inayotoa maisha ya ubora wa juu kwa raia wake wote kufikia mwaka 2030." Sekta ya kibinafsi ina jukumu kuu kutekeleza katika kuifikia ndoto hii na Sasini imejizatiti kuchukua nafasi yake kikamilifu.

Utendaji wa Kampuni

Katika mwaka wa kifedha ulioishia 30 Septemba 2007, Kampuni ilipata uzalishaji majani chai wa rekodi na zao zuri sana la kahawa. Dhidi ya utendaji huu wa kusifika, Kampuni ilimaliza mwaka na hasara ya Shs. milioni 31.05 katika shughuli baada ya kodi. Sababu kuu ya hili ni uthabiti ulioendelea wa Shilingi ya Kenya na bei za chini maridhawa za majani chai za kimataifa ikilinganishwa na mwaka uliopita. Shilingi imara ilichangia hasara ya Kshs. milioni 68 ikilinganishwa na mwaka wa kifedha 2005-06 na Kshs. milioni 174 ikilinganishwa na mwaka wa kifedha 2004-05.

Uzalishaji majani chai wa kilo milioni 9.94 za majani chai yaliotengenezwa ulifikwa katika mwaka (kilo milioni 8.29 katika mwaka 2006) ikiwa kilo milioni 5.81 za uzalishaji huo ukitoka kwa mashamba yetu (kilo milioni 4.16 mwaka 2006) na kilo milioni 4.12 kutoka kwa wapanzi wetu wa majani chai (kilo milioni 4.13 mwaka 2006). Mauzo ya majani chai kwa muda huu yalikuwa kilo milioni 10.22 (kilo milioni 7.81 mwaka 2006). Mauzo ya wastani yaliopatikana kwa kilo yalipungua sana kuwa Kshs. 94.79 kutoka Kshs. 114.14 katika mwaka uliopita kutokana na mchanganyiko wa bei za chini za kimataifa na shilingi chache kwa dola ya Kimarekani. Pia mashamba yalifanya vizuri sana ikiwa majani chai yaliotengenezwa kwa hekta moja yaliongezeka kuwa kilo

TAARIFA YA MWENYEKITI

4,182 kutoka 3,789 katika mwaka uliopita. Pia, kulikuwa na ongezeko la mtaji la Kshs milioni 32.03 kutokana na mauzo ya hisa zilizomilikiwa nasi katika Kenya Tea Packers Limited.

Shughuli za kahawa za Kampuni zilizalisha tani 1,302 za kahawa katika mwaka (tani 969 mwaka 2006) na mauzo katika mwaka yalikuwa tani 1,181 (tani 940 mwaka 2006). Bei ya wastani iliopatikana kwa tani katika mwaka ilikuwa Kshs. 200,164 (Kshs. 201,744 mwaka 2006).

Shughuli za kilimo cha bustani na mifugo za kampuni ziliendelea kuwa na faida na ziliweza kupata kufikia uthibitikaji na ubingwa katika maeneo haya, Sasini ina nia ya kuongeza shughuli hizi katika wakati ufao.

Kiwango cha ubadilishaji wa fedha za kigeni ndicho kinachotoa changamoto moja ya kipeo sana kwa Sasini, na vitisho vingine vikiwa bei za bidhaa za kimataifa zinazobadilika badilika na mwenendo wa hali ya hewa usiotegemeka. Katika muktadha wa vipengele hivi, Sasini imechukuwa hatua kadhaa za kipeo kama vile kuimarisha ubora, upanujaji wa biashara kwa kutengeneza bidhaa tofauti tofauti na kuongeza thamani ya mtungo wa biashara.

Bila ya kuhimili hatua kali za kuzuia gharama zilizochukuliwa na Kampuni, gharama za juu za pembejeo, hasa gharama za nguvukazi, na gharama za nishati, mbolea na kemikali, zinaendelea kuwa mambo ya kutia wasiwasi katika zote sekta za majani chai na kahawa na hata kupunguwa kidogo katika bei za kimataifa kunaweza kuwa na athari kubwa na hasi kwa biashara.

Mpango wa Ukuaji wa Kimkakati

Katika muktadha wa vipengele hivi vibaya ambavyo vipo nje ya udhibiti wa Usimamizi, Kampuni imeanzisha mkakati unaojumuishwa katika hati ya maono ya Sasini ya mwaka 2012 kukabili changamoto hizi na elementi muhimu za mkakati huu ni kuongeza ubora, upanujaji wa biashara kwa kutengeneza bidhaa tofauti tofauti na kuongeza thamani ya mtungo wa biashara. Kufafanua zaidi, Kampuni inaekeza katika kuimarisha mashine za kiwanda katika zote sekta ya kahawa na majani chai, imeingia katika soko la majani chai na kahawa zilizoongezwa thamani, imeanzisha kinu cha kusaga kahawa na kupanua kiwango chake, na jitihada ya karibu zaidi ni kuanzishwa kwa mkahawa wa 'SAVANNA' wa mtindo wa maisha ya kisasa.

Kinu cha kusaga kahawa kilichoanza kazi mwishoni mwa mwaka 2006, kilitengeneza kama tani 4000 za kahawa katika mwaka wa kwanza wa shughuli, ambazo kwamba tani 2000 zilitoka katika mashamba ya Sasini na zilizobaki kutoka kwa wakulima wengine na vyama vikubwa na vidogo vya ushirika wa kahawa, kutoka pande zote za Kenya. Kiwanda kimepanuliwa zaidi kwa mabohari ya ziada na mashine kuchukua mara mbili ya uwezo uliosimikwa kuwa tani 6 kwa kila saa. Pia kundi la Sasini lina vibali vinavyohitajiwa kuuza kahawa yote inayosagwa katika kiwanda. Inatia moyo kutambua kuwa shughuli za usagaji wa kahawa zilileta faida hata katika mwaka wa kwanza wa shughuli. Kinu cha kusaga kahawa na shughuli zinazohusiana za uuzaji zinatarajiwa kuzalisha faida nzuri katika miaka inayokuja.

Kutokea kuachwa huru kwa biashara ya kahawa mwezi Julai mwaka 2006, sasa Sasini inaudhibiti kamili juu ya thamani ya mtungo wa biashara kutoka upandaji wa kahawa hadi kufikia mteja.

Mkahawa wa kwanza wa SAVANNA unafanya kazi na uitikio kutoka kwa watu binafsi umekuwa wa kutia moyo sana. Mikahawa miwili zaidi inatarajiwa kuanza kazi katika miezi michache ijayo na mahali pametambuliwa na kufanyiwa mapatano. Inatarajiwa kuipeleka dhana hii katika miji mingine nchini na nje, baadhi tukiimiliki na mingine kupitia muundo wa haki maalum inayotolewa. Sehemu hii inatarajiwa kuzalisha faida za mapema na kukua na kuunda kijenzi muhimu cha shughuli za Sasini.

Jitihada nyingine muhimu ambayo Sasini imeanzisha ni majani chai na kahawa zilizoongezwa thamani. Kiwango kikubwa cha pesa kimetumiwa kuanzisha vifaa, katika uendelezaji wa bidhaa na kujenga chapa. Hii ni jitihada inayohitaji uekezaji wa kiasi cha juu na kipindi kirefu kiasi cha kukua lakini uwezo wa muda mrefu ni mkubwa sana.

Pia Sasini imetambua biasharanje kama njia mojawapo ya ukuaji na imeanzisha idara ya biasharanje inayoongozwa na meneja mwenye tajriba nyingi. Tunaona matumaini ya kuvutia katika eneo la biasharanje kwa zote chai na kahawa zilizoongezwa thamani, majani chai na kahawa zilizochanganywa na majani chai na kahawa za jumla na shughuli hii inatarajiwa kutoa mchango mzuri katika faida.

TAARIFA YA MWENYEKITI

Tayari Sasini imeekezwa fedha nyingi katika jitihada hizi mpya na fedha zaidi zinahitajika kulipia mipango ya ukuaji. Wakati shilingi imara ikiathiri vibaya mapato yetu halisi, kuna haja ya kupata fedha kwa kipindi cha kati. Kutimiza hili, Sasini imefanikiwa kutoa noti ya kiwango maalum ya miaka mitano ya Kshs. milioni 600 ambayo itafanyiwa biashara katika Soko la Hisa la Nairobi. Sasini inajivunia kuwa kampuni ya kwanza yenye msingi wa kilimo kutumia njia hii kupata fedha. Kama sehemu ya mfuatano huu, Sasini iliweza kukadiriwa muamana na Kampuni ya Global Credit Rating na tunajivunia kweli kukadiriwa A2 kwa kipindi cha muda mfupi na BBB+ kwa kipindi cha muda mrefu.

Kwa wakati huu ni vigumu kutoa ishara ya faida ya mwaka huu. Shughuli iliyoongezwa thamani inatarajiwa kuleta kiwango linganifu. Kama kawaida, faida ya mashamba ya kahawa na majani chai itategemea mambo kadhaa yasiyo chini ya udhibiti wetu, ijapokuwa ishara za mapema katika mwaka 2008 zinaashiria bei za juu na shilingi za ziada kwa dola ya Kimarekani. Wakati tunatafuta kila njia kubaki katika hali ya faida katika siku za usoni za karibuni, tuna imani kuwa Kundi litakuwa na faida katika kipindi cha muda wa kati na mrefu.

Uongozi wa Ushirika na Wajibu wa Kijamii

Sasini inaendelea kuweka umuhimu mkubwa katika kuwa mfano wa raia wa kishirika na kutimiza hili, wafanyikazi, ambao ni zaidi ya 5000 wanaangaliwa kwa vile inavyowezekana kabisa katika mambo ya makao, elimu, afya n.k. na Sasini pia inaweka mkazo mkubwa sana katika kuwa jirani mwema katika maeneo yote ya kijiografia tunamoshughulika na inarejelea tena kushughulika kwake na mazingira. Hii inaonyeshwa kwa kutekeleza mahitaji yote ya Sheria ya Usimamizi na Uratibu wa Mazingira.

Kama sehemu ya msisitizo wa ubora katika shughuli zake zote, Sasini imepata uthibitikaji unaotajika wa kitaifa na kimataifa katika shughuli zake zote. Uthibitikaji huu ni pamoja na UTZ Certified (Kahawa), Ethical Tea Partnership ya UK (Majani chai), EurepGap (Kilimo cha bustani), na alama ya ubora ya Almasi ya KBS (Bidhaa za maziwa na zilizoongezwa thamani). Sasa Sasini inatafuta uthibitikaji wa HACCP na Fairtrade.

Ufuatilizaji mkali wa uongozi mzuri wa shirika na sheria na kanuni za CMA na NSE zinafuatwa. Pia ni jambo la kujivunia kutambua kuwa idadi ya wanahisa wa Sasini imeongezeka kutoka 1,700 mwishoni mwa Septemba 2006 kuwa zaidi ya 6,000 mwishoni mwa Septemba 2007. Tunalitazama hili kama kura ya imani ya watu binafsi kwa Sasini na siku zake za usoni.

Shukrani

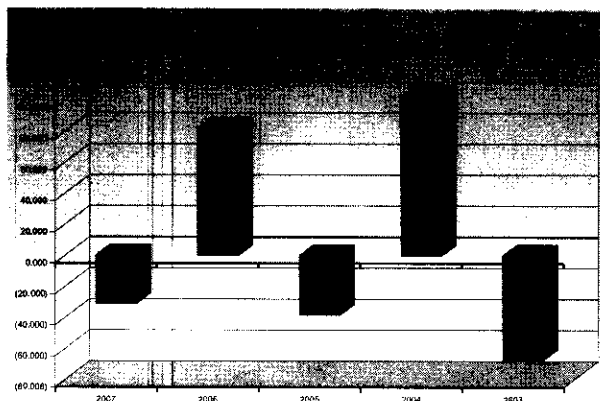
Nilichukuwa mamlaka kutoka kwa mtangulizi wangu Bw. A. P. Hamilton tarehe 30 Agosti 2007 na ninafuraha kuhusishwa na Sasini katika kipindi chake cha historia ya kusisimua na changamoto. Ningependa kumshukuru Bw. A. P. Hamilton kwa huduma zake wakati wa kushikilia cheo katika uongozi wa Kampuni. Pia ningependa kuwashukuru wanachama wote wa timu ya Sasini chini ya uongozi hodari na wa kimkakati wa Mkurugenzi Msimamizi, Bw. Peter W. Muthoka, kwa huduma yao ya kujitolea na mafanikio yao katika kutekeleza baadhi ya jitihada za kimkakati katika mwaka. Nina imani utekelezaji wa kufaulu wa mpango wa kimkakati utaleta faida nzuri katika miaka inayokuja. Pia ningependa kuwashukuru wanachama wenzangu wa Halmashauri kwa usaidizi wao na kujitolea katika jitihada mpya zinazotekelezwa na Kundi.

Hatimaye, ningependa kuwashukuru wanahisa wa Kampuni kwa usaidizi wao wa kuendelea ambao wameutoa kwa usimamizi na Halmashauri katika nyakati nzuri na mbaya na tunataka usaidizi wao wa kuendelea wakati Sasini ikipitia mbadiliko wa kimkakati.

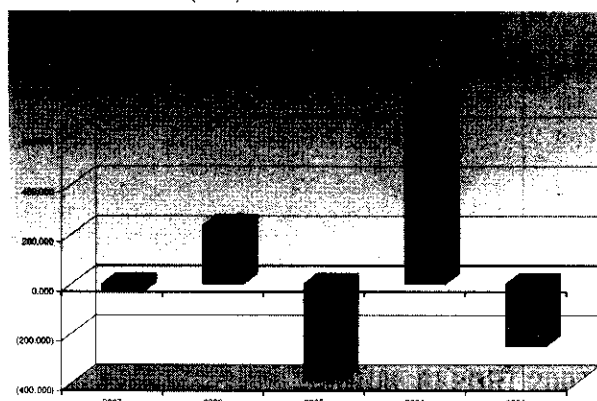
James B McFie
Mwenyekiti

GRAPHICAL HIGHLIGHTS

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



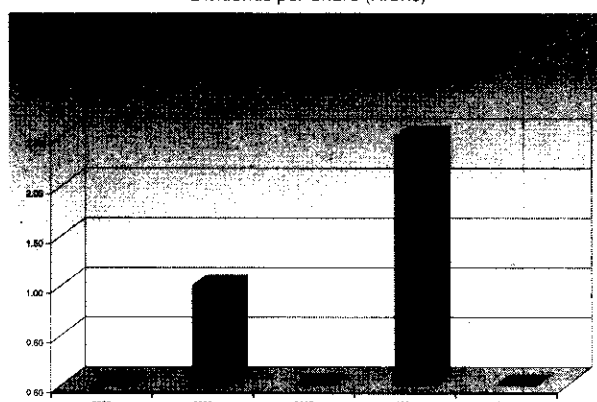
Profit/(Loss) attributable to the members



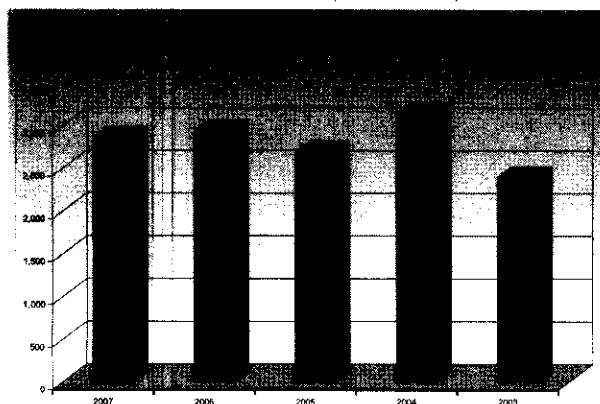
Funds Employed Per Share (K.Shs)



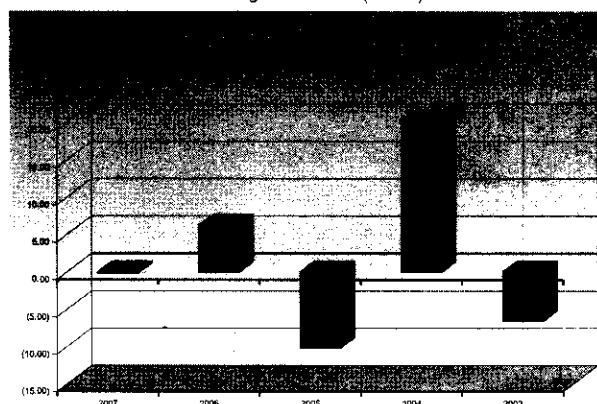
Dividends per Share (K.Shs)



Shareholders' Funds (K.Shs millions)



Earnings Per Share (K.Shs)



SALIENT FEATURES AND FINANCIAL CALENDAR

	2007 KShs'000	2006 KShs'000
TURNOVER	1,325,354	1,268,959
(Loss) /profit arising from operating activities	(31,046)	82,116
(Loss)/gains arising from changes in fair value of biological assets less estimated point of sale costs	<u>(2,525)</u>	<u>154,622</u>
(Loss)/profit attributable to the members	<u>(33,571)</u>	<u>236,738</u>
Dividend per ordinary share in KShs	-	1.00
Shareholders' funds	2,868,149	2,936,955

DIVIDEND

Proposed KShs Nil per share (2006: Kshs 1.00 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 pages 51 to 52.

		TEA		COFFEE	
		2007	2006	2007	2006
Area	Hectares	1,437	1,437	912	912
Production	Tonnes	9,941	8,285	1,302	969
Sales	Tonnes	10,220	7,806	1,182	940
Gross sales proceeds:					
Tea	KShs/Kg	94.79	114.14	-	-
Coffee	KShs'000/Tonne	-	-	200	201

REPORT OF THE DIRECTORS

The directors have pleasure in presenting their report and the audited financial statements for the year ended 30 September 2007 which show the state of affairs of the Group and the Company.

CMA-LIBRARY

ACTIVITIES

The principal activities of the Company and its subsidiaries are the growing and processing of tea and coffee, commercial milling and marketing of coffee, value additions of related products, forestry, dairy operations, livestock and horticulture.

GROUP RESULTS AND DIVIDENDS

	2007 KShs'000	2006 KShs'000
(Loss)/profit arising from operating activities	(31,046)	82,116
Proposed dividend (2007 -Nil) (2006:20%)	<u>-</u>	<u>(38,009)</u>
Balance transferred (from) /to reserves	<u>(31,046)</u>	<u>44,107</u>

SHARE CAPITAL AND RESERVES

The authorised and issued share capital of the Company at 30 September 2007 and matters relating thereto are set out in note 12 to the financial statements.

Full details of the Group and Company reserves and movements therein during the year are shown on page 25 and 26 and note 13.

PROPERTY, PLANT AND EQUIPMENT

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

DIRECTORS

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

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

Dr. J.B. McFie and Mrs. L.W. Waithaka who were appointed directors on 30th August 2007 to hold office until the conclusion of the Annual General Meeting, also retire and, being eligible, offer themselves for re-election.

SUBSTANTIAL SHAREHOLDINGS

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

	2007	Shareholding %	2006
Legend Investments Limited	41.84		41.84
Yana Towers Limited	12.13		12.92
Karim Jamal	7.75		3.55
East African Batteries Limited	4.13		10.99

DIRECTORS' INTERESTS

Directors' interests in the shares of the Company as at 30 September 2007 were as follows:

Name of Director	No. of Shares
Mr. P. W. Muthoka	85,958
Mr. A. H. Butt	600
Mr. I. A. Timamy	12,600

AUDITORS

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

By order of the Board

I. A. Timamy
Company Secretary

Nairobi

15 January 2008

RIPOTI YA WAKURUGENZI

Wakurugenzi wanafuraha kuwakilisha taarifa yao ya mwaka na taarifa za hesabu zilizokaguliwa za mwaka ulioishia tarehe 30 Septemba 2007 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, usagaji kahawa wa kibiashara na uuzaji, uongezaji thamani wa bidhaa zinazohusiana, biashara ya misitu, shughuli za maziwa na bidhaa zake, ufugaji ng'ombe na kilimo cha bustani.

MATOKEO YA KUNDI NA MGAO WA FAIDA

	2007 Kshs '000	2006 Kshs '000
(Hasara)/Faida inayotokana na kuendesha shughuli	(31,046)	82,116
Mgao wa faida unaopendekezwa (2007 – Kapa) (2006 : 20%)	-	(38,009)
Faida iliyobakishwa na kuhamishwa (kutoka)/kwenye akiba	<u>(31,046)</u>	<u>44,107</u>

RASILIMALI YA HISA NA AKIBA

Rasilimali ya hisa za Kampuni zilizoidhinishwa na kutolewa kufikia tarehe 30 Septemba 2007 na mambo yanayohusiana nazo yanaonyeshwa katika tanbihi 12 ya taarifa za kifedha.

Maelezo kamili ya Kundi na akiba ya Kampuni na mienendo yake katika mwaka yameonyeshwa katika kurasa 25 na 26 na tanbihi 13.

MALI, MTAMBO NA VIFAA

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

WAKURUGENZI

Maelezo ya Halmashauri ya Wakurugenzi yanaonyeshwa katika ukurasa wa 2.

Mabwana. N.N. Merali, A.H. Butt, I.A. Timamy, S.N. Merali, E.M. Kimani na M.J. Ernest

Wanastaafu kwa zamu, na kwa kuwa wanastahili, wanajitolea kuchaguliwa tena.

Dkt. J.B. McFie na Bi. L.W. Waithaka waliochaguliwa wakurugenzi tarehe 30 Agosti 2007 kushikilia afisi mpaka mwishoni mwa mkutano mkuu wa mwaka pia wanastaafu na kwa kuwa wanastahili, wanajitolea kuchaguliwa tena.

UMILIKAJI WA HISA NYINGI

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

	Umilikaji wa hisa %	
	2007	2006
Legend Investment Limited	41.84	41.84
Yana Towers Limited	12.13	12.92
Karim Jamal	7.75	3.55
East African Batteries Limited	4.13	10.99

RIPOTI YA WAKURUGENZI

USHIRIKA WA WAKURUGENZI

Ushirika wa wakurugenzi katika hisa za Kampuni kufikia tarehe 30 Septemba 2007 ni kama ufuatao:

Jina la Mkurugenzi	Idadi ya Hisa
Bw.P.W.Murthoka	85,958
Bw.A.H.Butt	600
Bw.I.A.Timamy	12,600

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

15 Januari 2008

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 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 to maintain full and effective control over all strategic, financial, operational and compliance issues.

Board Meeting

Board Meetings are held every quarter and in exceptional circumstances as dictated by demand exigencies of Company operations. This financial year, a total of six (6) Board Meetings were held.

Board Committees

The Board has approved the delegation of certain authorities to 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.

CORPORATE GOVERNANCE (Continued)

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 includes:

- 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 systems 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 2007 are contained in note 28 to the financial statement 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 period.

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 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.

CORPORATE GOVERNANCE

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.

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 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 2007 were as follows:

No.	Name of Shareholder	No. of Shares	% Shareholding
1	Legend Investments Limited	95,417,345	41.84
2	Yana Towers Limited	27,670,640	12.13
3	Karim Jamal	17,684,070	7.75
4	East Africa Batteries Ltd.	9,439,500	4.13
5	Stanbic Nominees Kenya Ltd - A/C R48701	5,834,860	2.55
6	Investments & Mortgages Nominees Ltd A/C 018785	3,600,000	1.58
7	Gulamali Ismail	3,568,800	1.56
8	Virchand Virpal & Sons Limited	3,321,900	1.46
9	Investments & Mortgages Nominees Ltd A/C 026036	2,608,200	1.14
10	Satchu Aly-Khan	2,584,920	1.13

Other Shareholding (No. of Shares)	No. of Shares held	No. of Shareholders	% Shareholding
Less than 500	444,153	2,121	0.19
500 - 5,000	4,915,203	2,995	2.16
5,001 - 10,000	3,447,910	442	1.51
10,001 - 100,000	14,615,449	519	6.41
100,001 - 1,000,000	18,091,300	80	7.93
Above 1,000,000	<u>186,541,485</u>	<u>19</u>	<u>81.80</u>
Total	<u>228,055,500</u>	<u>6,176</u>	<u>100.00</u>

Dr. J. B. McFie
Chairman

P.W.Muthoka
Managing Director

**STATEMENT OF DIRECTORS' RESPONSIBILITIES ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2007**

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 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 for the year. 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 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.

Dr. J. B. McFie
Director

P.W. Muthoka
Director

15 January 2008

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF SASINI LIMITED

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

■ Tel: +254 020 2715300
Fax: +254 020 2716271
Email: info@ey.co.ke
Website: www.ey.com/easternafrica

Report on the Financial Statements

We have audited the accompanying financial statements of Sasini Limited (Formerly Sasini Tea and Coffee Limited) and subsidiaries, set out on pages 22 to 50 which comprise the consolidated balance sheet as at 30 September 2007 and the consolidated income statement, consolidated statement of changes in equity and consolidated cashflow statement for the year then ended, together with the balance sheet of the company as at 30 September 2007 and statement of changes in equity of the company for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our professional judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we considered the internal control relevant to the group's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the state of financial affairs of the group and the company as at 30 September 2007 and of the loss of the group and cash flows for the year then ended in accordance with International Financial Reporting Standards and Kenyan Companies Act.

Report on Other Legal Requirements

As required by the Kenyan Companies Act we report to you, based on our audit, that:

- i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- ii) In our opinion, proper books of account have been kept by the group, so far as appears from our examination of those books; and
- iii) The group's and company's balance sheets and consolidated income statement are in agreement with the books of account.

Ernst & Young
Certified Public Accountants (Kenya)

Nairobi

15 January 2008

FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET 30 SEPTEMBER 2007

	Note	2007 KShs'000	2006 KShs'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	3(a)	713,406	672,744
Intangible assets	4(i)	3,010	4,516
Goodwill	4(ii)	80	80
Capital work-in-progress	3(c)	18,251	38,443
Biological assets	5(a)	2,522,939	2,512,301
Prepaid leases on leasehold land	6	13,733	13,766
Other investments	8	<u>27,016</u>	<u>6,938</u>
		<u>3,298,435</u>	<u>3,248,788</u>
CURRENT ASSETS			
Inventories	9	206,260	184,842
Trade and other receivables	10	248,921	172,849
Amounts due from related companies balances		1,615	1,615
Taxation recoverable	18	23,081	-
Cash and bank balances		<u>46,732</u>	<u>222,369</u>
		<u>526,609</u>	<u>581,675</u>
		<u>3,825,044</u>	<u>3,830,463</u>
SHAREHOLDERS' FUNDS AND LIABILITIES			
Capital and Reserves			
Share capital	12	228,055	190,046
Reserves	13	2,640,094	2,708,900
Proposed dividends	14	<u>-</u>	<u>38,009</u>
		<u>2,868,149</u>	<u>2,936,955</u>
Minority interest		<u>86,483</u>	<u>93,521</u>
NON-CURRENT LIABILITIES			
Deferred tax	15	465,435	504,175
Bank loan	16	7,784	-
Past employment benefits	17	<u>137,214</u>	<u>101,589</u>
		<u>610,433</u>	<u>605,764</u>
CURRENT LIABILITIES			
Tax payable	18	-	5,415
Trade and other payables	19	208,600	186,950
Bank overdraft	20	48,144	1,858
Short term portion of bank loan	16	<u>3,235</u>	<u>-</u>
		<u>259,979</u>	<u>194,223</u>
TOTAL SHAREHOLDERS' FUNDS AND LIABILITIES		<u>3,825,044</u>	<u>3,830,463</u>

The financial statements were approved by the Board of Directors on 15 January 2008 and signed on its behalf by :

Dr. J. B. McFie
Director

P.W. Muthoka
Director

FINANCIAL STATEMENTS

COMPANY BALANCE SHEET 30 SEPTEMBER 2007

ASSETS	Note	2007 KShs'000	2006 KShs'000
NON-CURRENT ASSETS			
Property, plant and equipment	3(b)	410,288	349,111
Capital work-in-progress	3(c)	16,930	38,442
Biological assets	5(b)	700,091	532,384
Prepaid leases on leasehold land	6	633	651
Investment in subsidiary companies	7	36,768	15,797
Other investments	8	<u>1,298</u>	<u>1,298</u>
		1,166,008	937,683
CURRENT ASSETS			
Inventories	9	96,575	55,288
Trade and other receivables	10	106,983	48,496
Amount due from subsidiary companies	11	28,999	41,865
Taxation recoverable		12,309	10,600
Dividend receivable		-	100,000
Cash and bank balances		<u>30,263</u>	<u>44,911</u>
		275,129	301,160
TOTAL ASSETS		<u>1,441,137</u>	<u>1,238,843</u>
SHAREHOLDERS' FUNDS AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	12	228,055	190,046
Reserves	13	789,339	768,505
Proposed dividends	14	<u>-</u>	<u>38,009</u>
		1,017,394	996,560
NON-CURRENT LIABILITIES			
Deferred tax	15	130,583	105,657
Bank loan	16	7,784	-
Post employment benefits	17	<u>23,281</u>	<u>9,596</u>
		161,648	115,253
CURRENT LIABILITIES			
Trade and other payables	19	89,810	49,430
Amount due to subsidiary companies	11	132,560	75,748
Bank overdraft	20	36,490	1,852
Short term portion of bank loan	16	<u>3,235</u>	<u>-</u>
		262,095	127,030
TOTAL SHAREHOLDERS' FUNDS AND LIABILITIES		<u>1,441,137</u>	<u>1,238,843</u>

The financial statements were approved by the Board of Directors on 15 January 2008 and signed on its behalf by:

Dr. J. B. McFie
Director

P.W. Muthoka
Director

FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2007

	Note	2007 KShs'000	2006 KShs'000
TURNOVER	21	1,325,354	1,268,959
(Losses)/gains arising from changes in fair value of biological assets less estimated point of sale costs		(8,892)	226,309
COSTS OF SALES	22	<u>(1,123,796)</u>	<u>(940,484)</u>
Gross profit		192,666	554,784
Other operating income	23	<u>69,429</u>	<u>44,812</u>
		262,095	599,596
ADMINISTRATION AND ESTABLISHMENT EXPENSES	24	(222,660)	(213,685)
SELLING AND DISTRIBUTION EXPENSES	25	(11,584)	(15,490)
OTHER CHARGES AND EXPENSES	26	<u>(88,043)</u>	<u>(17,369)</u>
(Loss)/profit from operations		(60,192)	353,052
Finance costs	27	<u>(10,531)</u>	<u>(3,559)</u>
(LOSS)/PROFIT BEFORE TAX, MINORITY INTERESTS	28	(70,723)	349,493
TAXATION CREDIT / (CHARGE)	18	<u>29,971</u>	<u>(109,168)</u>
(LOSS)/PROFIT AFTER TAX AND BEFORE MINORITY INTERESTS		(40,752)	240,325
MINORITY INTERESTS		<u>7,181</u>	<u>(3,587)</u>
(LOSS)/PROFIT ATTRIBUTABLE TO THE MEMBERS		<u>(33,571)</u>	<u>236,738</u>
(LOSS)/PROFIT ARISING FROM OPERATING ACTIVITIES		(31,046)	82,116
(LOSS)/GAINS ARISING FROM CHANGES IN FAIR VALUE OF BIOLOGICAL ASSETS		<u>(2,525)</u>	<u>154,622</u>
		<u>(33,571)</u>	<u>236,738</u>
(LOSS) /EARNINGS PER SHARE (KSHS) ON NORMAL OPERATIONS	29	(0.14)	0.36
(LOSS) /EARNINGS PER SHARE (KSHS) ON BIOLOGICAL ASSETS		<u>(0.01)</u>	<u>0.68</u>
NET (LOSS) / EARNINGS PER SHARE (KSHS)		<u>(0.15)</u>	<u>1.04</u>
DIVIDENDS (KSHS'000)			
PROPOSED DIVIDEND FOR THE YEAR	14	<u>-</u>	<u>38,009</u>

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2007

	Share capital KShs'000	Capital reserves KShs'000	Revenue reserves KShs'000	Biological assets fair Value KShs'000	Proposed dividends KShs'000	Total Equity KShs'000
At 1 October 2005	190,046	999,291	482,508	1,025,579	-	2,697,424
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	-	2,793	-	-	-	2,793
Proposed dividends for 2006	-	-	(38,009)	-	38,009	-
At 30 September 2006	<u>190,046</u>	<u>990,244</u>	<u>538,455</u>	<u>1,180,201</u>	<u>38,009</u>	<u>2,936,955</u>
At 1 October 2006	190,046	990,244	538,455	1,180,201	38,009	2,936,955
Excess depreciation on revaluation	-	(11,839)	11,839	-	-	-
Loss attributable to the members	-	-	(31,046)	-	-	(31,046)
Gains from fair value adjustments	-	-	-	(2,525)	-	(2,525)
Deferred tax	-	2,774	-	-	-	2,774
Bonus issue	38,009	-	(38,009)	-	-	-
Dividend paid	-	-	-	-	(38,009)	(38,009)
At 30 September 2007	<u>228,055</u>	<u>981,179</u>	<u>481,239</u>	<u>1,177,676</u>	<u>-</u>	<u>2,868,149</u>

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FINANCIAL STATEMENTS

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2007

	Share capital KShs'000	Capital reserves KShs'000	Revenue reserves KShs'000	Biological assets fair value KShs'000	Proposed dividends KShs'000	Total equity KShs'000
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 arising from fair value adjustments	-	-	-	(63,371)	-	(63,371)
Deferred tax	-	(321)	-	-	-	(321)
Proposed dividends for 2006	-	-	(38,009)	-	38,009	-
At 30 September 2006	<u>190,046</u>	<u>420,154</u>	<u>77,160</u>	<u>271,191</u>	<u>38,009</u>	<u>996,560</u>
At 1 October 2006	190,046	420,154	77,160	271,191	38,009	996,560
Excess depreciation on revaluation	-	(985)	985	-	-	-
Loss attributable to the members	-	-	(57,119)	-	-	(57,119)
Gains from fair value adjustments	-	-	-	116,283	-	116,283
Deferred tax	-	(321)	-	-	-	(321)
Bonus issue	38,009	-	(38,009)	-	-	-
Dividend paid	-	-	-	-	(38,009)	(38,009)
At 30 September 2007	<u>228,055</u>	<u>418,848</u>	<u>(16,983)</u>	<u>387,474</u>	<u>-</u>	<u>1,017,394</u>

FINANCIAL STATEMENTS

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2007

	Note	2007 KShs'000	2006 KShs'000
OPERATING ACTIVITIES			
Cash flows generated from operations	30	(64,926)	95,170
Interest paid	27	(10,531)	(3,559)
Income taxes paid	18	<u>(34,348)</u>	<u>(5,440)</u>
Net cash flows (used in) /generated from operating activities		<u>(109,805)</u>	<u>86,171</u>
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	3(a)	(88,805)	(45,671)
Biological assets	5	(19,530)	(8,404)
Work-in-progress	3(c)	20,191	(30,571)
Dividends received from trade investments	23	1,390	939
Interest received	23	3,048	3,693
Proceeds on sale of property, plant and equipment	23	910	78
Proceed on sale of investments		32,926	-
Purchase of investments	8	<u>(20,971)</u>	<u>(6)</u>
Net Cash flow used in investing activities		<u>(70,841)</u>	<u>(79,942)</u>
FINANCING ACTIVITIES			
Short term financing		12,938	-
Loan repayments		(1,920)	-
Dividend paid on ordinary shares		<u>(38,009)</u>	<u>-</u>
Net cash flow used in financing activities		<u>(26,991)</u>	<u>-</u>
Net (decrease)/increase in cash and cash equivalents		(207,637)	6,229
CASH AND CASH EQUIVALENTS			
At the beginning of the year		220,511	213,471
Effect of exchange rates changes		<u>(14,286)</u>	<u>811</u>
CASH AND CASH EQUIVALENTS			
As at the end of the year	32	<u>(1,412)</u>	<u>220,511</u>

FINANCIAL STATEMENTS**NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 SEPTEMBER 2007****1. SIGNIFICANT ACCOUNTING POLICIES**

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

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

a) Basis of Preparation

The consolidated financial statements are prepared in accordance with and comply with International Financial Reporting Standards (IFRSs). The financial statements are presented in Kenya Shillings (KShs.) and are prepared under the historical cost basis of accounting except for biological assets that have been measured at fair value and property, plant and equipment that have been measured at valuation.

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. It also requires directors to exercise judgment in the process of applying the Group's accounting policies. Although these estimates are based on the directors' best knowledge of current events and actions, actual results may differ from those estimates. Accounting policies (e) and (f) below on 'critical accounting estimates and assumptions' and 'critical accounting judgements' highlight the areas that involve a higher level of judgement, or where the estimates or assumptions used are significant to the financial statements. These policies have been consistently applied in the current period and prior years presented unless otherwise stated.

b) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries made up to 30 September 2007. 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 inter-company transactions and balances between Group companies are eliminated on consolidation.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the group obtains control, and continue to be consolidated until the date that such control ceases.

FINANCIAL STATEMENTS**NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 SEPTEMBER 2007****1. SIGNIFICANT ACCOUNTING POLICIES (continued)****c) 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 is assessed annually for impairment.

d) Investment in Subsidiary Companies

The investments in subsidiary companies are accounted for at cost in the Company's balance sheet less any provisions for impairment losses. Where in the opinion of the directors, there has been an impairment of value of an investment, the loss is recognised as an expense in the period in which the impairment is identified.

e) Critical Accounting Estimates and Assumptions

In the process of applying the Group's accounting policies, directors make certain estimates and assumptions about future events. In practice, the estimated and assumed results would differ from the actual results. Such estimates and assumptions, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below:

Biological assets

In determining the fair value of biological assets, the group uses the present value of expected future cash flows from the asset discounted at the current market determined pre tax rate adjusted for inflation. The objective of calculating the present value of expected cash flows is to determine the fair value of a biological asset in its present location and condition. The Group considers this in determining an appropriate discount rate to be used and in estimating net cash flows. Management uses historical data relating to production and market prices of tea, coffee, livestock and trees. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed to reduce any differences between estimates and actual experience. The significant assumptions are set out in note 4 to the financial statements.

Property, plant and equipment

Directors make estimates in determining the depreciation rates for property, plant and equipment. The rates used are set out in the accounting policy for property, plant and equipment.

These estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the prevailing circumstances.

f) Critical Accounting Judgements

In the process of applying the Group's accounting policies, directors make certain judgements that are continuously assessed based on prior experience and other determinants including expectations of future events that, under the circumstances are deemed to be reasonable as described below:

FINANCIAL STATEMENTS**NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 SEPTEMBER 2007****1. SIGNIFICANT ACCOUNTING POLICIES (continued)****f) Critical Accounting Judgements (continued)***Provisions for obsolete stocks*

Directors review the stocks on an annual basis to assess the likelihood of obsolescence. In determining whether a stock item is obsolete, directors make judgement as to whether the stock item can be used as an input in production or is in saleable condition.

Provisions for doubtful debts

The Group reviews its debtor's portfolio regularly to assess the likelihood of impairment. This requires an estimation of the amounts that are irrecoverable.

g) Revenue Recognition

Turnover includes auction sales of coffee and tea. 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

h) 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.

i) Investments

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

Provision is made for any permanent diminution in value.

j) Stocks and Estate Stores

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.

FINANCIAL STATEMENTS**NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 SEPTEMBER 2007****1. SIGNIFICANT ACCOUNTING POLICIES (Continued)****k) Provisions**

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

l) 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 out of 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;

Buildings and improvements	over the estimated useful lives
Plant, machinery and tools	12.5%
Rolling stock	25.0%
Farm implements and trailers	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.

m) Intangible Assets

An intangible asset 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 is amortised on a straight-line basis over their useful lives (5 yrs).

n) Prepaid Leases on Leasehold Land

Prepaid leases on leasehold land are classified as operating leases. The cost incurred to acquire the land is included in the financial statements as long term prepayments, which is amortised in the income statement on a straight line basis over the lease period.

FINANCIAL STATEMENTS**NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 SEPTEMBER 2007****1. SIGNIFICANT ACCOUNTING POLICIES (Continued)****o) 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.

p) Retirement Benefits Costs

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 KShs 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.

q) 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.

r) Employee Entitlement

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 employees up to the balance sheet date.

The liability recognised in the balance sheet is the present value of the estimated future cash outflows, calculated by an independent actuary using the projected unit credit method. The increase or decrease in the provision is taken to the income statement.

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

s) Borrowing Costs

Borrowing costs are recognised as an expense when incurred.

t) 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 period 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 Group'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.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 SEPTEMBER 2007

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

u) 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.

v) Impairment of Assets

The Group assesses, 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.

w) 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

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 activities of these divisions are as follows:

Tea	-	Growing and processing of tea
Coffee	-	Growing and processing of coffee
Others	-	Dairy operations, commercial milling and marketing of coffee, value additions of related products, renting of growing land and the leasing of plant and machinery.

Segment information is as presented below.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 SEPTEMBER 2007

2. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

a) Business Segments (Continued)

	Tea KShs '000	Coffee KShs '000	Others KShs '000	Consolidated KShs '000
30 September 2007				
Revenue				
Sales to external customers	916,285	245,753	163,316	1,325,354
Other income	<u>42,753</u>	<u>18,106</u>	<u>8,571</u>	<u>69,429</u>
	<u>959,037</u>	<u>263,859</u>	<u>171,887</u>	<u>1,394,783</u>
Results				
Operating results	<u>(97,989)</u>	<u>47,827</u>	<u>(10,031)</u>	<u>(60,192)</u>
Assets and liabilities				
Segment assets	<u>1,520,054</u>	<u>1,733,290</u>	<u>571,700</u>	<u>3,825,044</u>
Segment liabilities	<u>216,036</u>	<u>38,146</u>	<u>616,230</u>	<u>870,411</u>
Other segment information				
Capital expenditure - tangible fixed assets	<u>8,653</u>	<u>89,376</u>	<u>10,307</u>	<u>108,336</u>
Depreciation and amortisation of leasehold land	<u>28,561</u>	<u>16,166</u>	<u>4,955</u>	<u>49,682</u>
Average number of employees	<u>4,189</u>	<u>1,067</u>	<u>83</u>	<u>5,339</u>
30 September 2006				
Revenues				
Sales to external customers	883,775	193,927	191,257	1,268,959
Other income	<u>15,588</u>	<u>27,523</u>	<u>1,701</u>	<u>44,812</u>
	<u>899,363</u>	<u>221,450</u>	<u>192,958</u>	<u>1,313,771</u>
Results				
Operating results	<u>150,190</u>	<u>(141,388)</u>	<u>344,250</u>	<u>353,052</u>
Assets and liabilities				
Segment assets	<u>1,753,753</u>	<u>997,598</u>	<u>1,079,112</u>	<u>3,830,463</u>
Segment liabilities	<u>467,250</u>	<u>169,011</u>	<u>163,726</u>	<u>799,987</u>
Other segment information				
Capital expenditure - tangible fixed assets	<u>34,764</u>	<u>50,045</u>	<u>-</u>	<u>84,809</u>
Depreciation and amortisation of leasehold land	<u>31,132</u>	<u>8,556</u>	<u>7,487</u>	<u>47,175</u>
Average number of employees	<u>4,239</u>	<u>1,080</u>	<u>64</u>	<u>5,383</u>

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 SEPTEMBER 2007

BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

b) Geographical Segments

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

The Group's tea, rental and leasing operations are located in the Rift Valley, Coast and Central Provinces. Coffee, dairy and horticulture operations are located in the Central Province. The Head office is located in Nairobi Province.

c) Sales Revenue by Geographical Market

A significant proportion of the revenue from tea and coffee sales during the year arise 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.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 SEPTEMBER 2007

3. PROPERTY, PLANT AND EQUIPMENT

a) The Group

Year ended 30 September 2007

	Land and development Kshs'000	Buildings and improvements KShs'000	Plant machinery and tools KShs'000	Rolling stock and farm implements KShs'000	Furniture and equipment KShs'000	Total KShs'000
COST OR VALUATION						
At start of the year	374,803	476,798	433,193	163,236	64,083	1,512,113
Additions	-	25,739	31,802	16,577	14,687	88,805
Disposals	-	-	-	(4,638)	-	(4,638)
At 30 September 2007	<u>374,803</u>	<u>502,537</u>	<u>464,995</u>	<u>175,175</u>	<u>78,770</u>	<u>1,596,280</u>
Comprising:						
At cost	154,547	121,604	222,397	159,405	66,635	724,588
At valuation	<u>220,256</u>	<u>380,933</u>	<u>242,598</u>	<u>15,770</u>	<u>12,135</u>	<u>871,692</u>
	<u>374,803</u>	<u>502,537</u>	<u>464,995</u>	<u>175,175</u>	<u>78,770</u>	<u>1,596,280</u>
DEPRECIATION						
At start of the year	-	291,422	346,209	139,010	62,728	839,369
Charge for the Year	-	19,405	15,511	7,711	5,516	48,143
Disposals	-	-	-	(4,638)	-	(4,638)
At 30 September 2007	-	<u>310,827</u>	<u>361,720</u>	<u>142,083</u>	<u>68,244</u>	<u>882,874</u>
NET BOOK VALUE						
At 30 September 2007	<u>374,803</u>	<u>191,710</u>	<u>103,275</u>	<u>33,092</u>	<u>10,526</u>	<u>713,406</u>

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

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

The valuation surplus was credited to capital reserves.

No depreciation has been charged in arriving at the results for the year in respect of certain fully depreciated items of property, plant and equipment with a cost of KShs 582,285,649 (2006 - KShs. 527,390,543) 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 KShs 93,529,382 (2006 - KShs 83,665,180).

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 SEPTEMBER 2007

3. PROPERTY, PLANT AND EQUIPMENT (Continued)

a) The Group (continued)

Year ended 30 September 2006

	Land and development KShs'000	Buildings and improvements KShs'000	Plant machinery and tools KShs'000	Rolling stock and farm implements KShs'000	Furniture and equipment KShs'000	Total KShs'000
COST OR VALUATION						
At start of the 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)
At 30 September 2006	<u>374,803</u>	<u>476,798</u>	<u>433,193</u>	<u>163,236</u>	<u>64,083</u>	<u>1,512,113</u>
Comprising:						
At cost	154,547	95,865	190,595	147,466	51,948	640,421
At valuation	<u>220,256</u>	<u>380,933</u>	<u>242,598</u>	<u>15,770</u>	<u>12,135</u>	<u>871,692</u>
	<u>374,803</u>	<u>476,798</u>	<u>433,193</u>	<u>163,236</u>	<u>64,083</u>	<u>1,512,113</u>
DEPRECIATION						
At start of the 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)
At 30 September 2006	-	<u>291,422</u>	<u>346,209</u>	<u>139,010</u>	<u>62,728</u>	<u>839,369</u>
NET BOOK VALUE						
At 30 September 2006	<u>374,803</u>	<u>185,376</u>	<u>86,984</u>	<u>24,226</u>	<u>1,355</u>	<u>672,744</u>

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 SEPTEMBER 2007

3. PROPERTY, PLANT AND EQUIPMENT (Continued)

b) The Company

Year ended 30 September 2007

	Land and development KShs'000	Buildings and improvements KShs'000	Plant machinery and tools KShs'000	Rolling stock and farm implements KShs'000	Furniture and equipment KShs'000	Total KShs'000
COST OR VALUATION						
At start of the year	279,846	140,854	82,674	54,262	27,926	585,562
Additions	<u>-</u>	<u>25,013</u>	<u>28,532</u>	<u>9,496</u>	<u>14,432</u>	<u>77,473</u>
At 30 September 2007	<u>279,846</u>	<u>165,867</u>	<u>111,206</u>	<u>63,758</u>	<u>42,358</u>	<u>663,035</u>
Comprising:						
At cost	64,415	38,713	38,064	43,042	31,708	215,942
At valuation	<u>215,431</u>	<u>127,154</u>	<u>73,142</u>	<u>20,716</u>	<u>10,650</u>	<u>447,093</u>
	<u>279,846</u>	<u>165,867</u>	<u>111,206</u>	<u>63,758</u>	<u>42,358</u>	<u>663,035</u>
DEPRECIATION						
At start of the year	-	106,379	55,077	49,701	25,294	236,451
Charge for the year	<u>-</u>	<u>5,378</u>	<u>4,060</u>	<u>2,498</u>	<u>4,360</u>	<u>16,296</u>
At 30 September 2007	<u>-</u>	<u>111,757</u>	<u>59,137</u>	<u>52,199</u>	<u>29,654</u>	<u>252,747</u>
NET BOOK VALUE						
At 30 September 2007	<u>279,846</u>	<u>54,110</u>	<u>52,069</u>	<u>11,559</u>	<u>12,704</u>	<u>410,288</u>

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 KShs 170,719,968 (2006 - KShs 166,179,489) 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 KShs 29,237,312 (2006 - KShs 28,457,065).

FINANCIAL STATEMENTS**NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 SEPTEMBER 2007****3. PROPERTY, PLANT AND EQUIPMENT (Continued)****(b) The Company (continued)****Year ended 30 September 2006**

	Land and development KShs'000	Buildings and improvements KShs'000	Plant machinery and tools KShs'000	Rolling stock and farm implements KShs'000	Furniture and equipment KShs'000	Total KShs'000
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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
At 30 September 2006	<u>279,846</u>	<u>140,854</u>	<u>82,674</u>	<u>54,262</u>	<u>27,926</u>	<u>585,562</u>
Comprising:						
At cost	64,415	13,700	9,532	33,546	17,276	138,469
At valuation	<u>215,431</u>	<u>127,154</u>	<u>73,142</u>	<u>20,716</u>	<u>10,650</u>	<u>447,093</u>
	<u>279,846</u>	<u>140,854</u>	<u>82,674</u>	<u>54,262</u>	<u>27,926</u>	<u>585,562</u>

DEPRECIATION

At start of the year	-	101,097	54,650	46,679	22,713	225,139
Charge for the year	-	5,282	427	3,022	2,581	11,312
At 30 September 2006	-	<u>106,379</u>	<u>55,077</u>	<u>49,701</u>	<u>25,294</u>	<u>236,451</u>
NET BOOK VALUE						
At 30 September 2006	<u>279,846</u>	<u>34,475</u>	<u>27,597</u>	<u>4,561</u>	<u>2,632</u>	<u>349,111</u>

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 SEPTEMBER 2007

3. PROPERTY, PLANT AND EQUIPMENT (Continued)

c) Capital Work-In-Progress

Capital work -in- progress relates to the expansion of the coffee mill at Kamundu Estate.

4. INTANGIBLE ASSETS

	2007 KShs'000	2006 KShs'000
i) Accounting software		
COST	<u>7,528</u>	<u>7,528</u>
AMORTISATION		
At 1 October	3,012	1,506
Charge for the year	<u>1,506</u>	<u>1,506</u>
At 30 September	<u>4,518</u>	<u>3,012</u>
Net Book Amount At 30 September	<u>3,010</u>	<u>4,516</u>
ii) Goodwill		
Arising on acquisition of subsidiary	80	80
Impairment	<u>-</u>	<u>-</u>
Carrying amount	<u>80</u>	<u>80</u>

5. BIOLOGICAL ASSETS

a) The Group

	Coffee trees KShs '000	Tea bushes KShs '000	Other trees KShs '000	Other crops KShs '000	Livestock KShs '000	Total KShs '000
Carrying amount as at 1.10.2006	759,743	1,540,240	196,486	664	15,168	2,512,301
Gains /(losses) arising from changes in fair value less estimated point of sale costs	120,794	(139,581)	29,948	2,134	(826)	12,469
Increases due to purchases/plantings	865	12,715	5,753	-	197	19,530
Transfer	-	-	-	392	(392)	-
Decreases due to harvest	<u>-</u>	<u>-</u>	<u>(21,361)</u>	<u>-</u>	<u>-</u>	<u>(21,361)</u>
Carrying amount as at 30.09.2007	<u>881,402</u>	<u>1,413,374</u>	<u>210,826</u>	<u>3,190</u>	<u>14,147</u>	<u>2,522,939</u>

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 SEPTEMBER 2007

5. BIOLOGICAL ASSETS (Continued)

b) The Company	Coffee trees KShs '000	Other trees KShs '000	Livestock KShs '000	Total KShs '000
Carrying amount as at 1.10.2006	470,413	58,795	3,176	532,384
Gains /(losses) arising from changes in fair value less estimated point of sale costs	142,856	23,576	(314)	166,118
increases due to purchases/plantings	<u>773</u>	<u>618</u>	<u>197</u>	<u>1,589</u>
Carrying amount as at 30.09.2007	<u>614,042</u>	<u>82,989</u>	<u>3,060</u>	<u>700,091</u>

The Group is involved in the growing, processing and selling of coffee & tea and breeding of dairy cattle. At 30 September 2007, the group had 145 cows able to produce milk, 111 calves that are raised to produce milk in the future, 104 bull calves and 347 sheep. The group produced 792,968 litres of milk with a fair value less estimated point of sale costs of KShs 15,489,098 in the year.

The Group has 856 hectares of mature coffee bushes and 56 hectares of young coffee bushes. The group harvested 1,301,552 kgs of coffee with a fair value less estimated point of sale costs of KShs 221 million.

The Group has 1,437 hectares of mature tea bushes and 32 hectares of young tea bushes. The Group harvested 25,690,200 kgs of green tea leaves with a fair value less estimated point of sale costs of KShs 378 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 cash flows have been discounted at 20%, that is, the discount rate and cost of inflation.

In determining the fair value of biological assets where the discounting of expected cash flows has been used, the directors have made certain assumptions as follows:-

- Expected lifespan of the plantations (Coffee trees 20 yrs and Tea bushes 30 yrs)
- The climatic conditions will remain constant
- The selling prices to remain constant
- The fair value of livestock is determined based on market prices of livestock of similar age and sex.
- Cost inflation 5%.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 SEPTEMBER 2007

6. PREPAID LEASES ON LEASE HOLD LAND

	The Group		The Company	
	2007 Kshs'000	2006 KShs'000	2007 KShs'000	2006 KShs'000
COST				
At 30 September	<u>15,260</u>	<u>15,260</u>	<u>1,210</u>	<u>1,210</u>
AMORTISATION				
Balance brought forward	1,494	1,461	559	540
Charge for the period	<u>33</u>	<u>33</u>	<u>18</u>	<u>19</u>
Balance carried forward	<u>1,527</u>	<u>1,494</u>	<u>577</u>	<u>559</u>
NET BOOK AMOUNT				
Balance carried forward	<u>13,733</u>	<u>13,766</u>	<u>633</u>	<u>651</u>

7. INVESTMENT IN SUBSIDIARY COMPANIES

Share in subsidiaries at cost	<u>-</u>	<u>-</u>	<u>36,768</u>	<u>15,797</u>
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The details of subsidiary companies which are all incorporated in Kenya are as follows:

Name of Subsidiary	Percentage of Equity held
Kipkebe Limited	100
Keritor Limited	100 (100% held by Kipkebe Limited)
Kipkebe Estates Limited	100 (100% held by Kipkebe Limited)
Mweiga Estate Limited	75
Wahenya Limited	75 (100% held by Mweiga Estate Limited)
Aristocrats Tea & Coffee Exporters	100
Sasini Coffee House Limited	60 Operations of lifestyle coffee lounges.

Consolidated financial statements have been prepared incorporating the financial statements of the Company and its subsidiaries made up to 30 September 2007

8. OTHER INVESTMENTS

	The Group		The Company	
	2007 KShs'000	2006 KShs'000	2007 KShs'000	2006 KShs'000
Trade investments:				
Quoted	31	31	31	31
Unquoted	<u>26,985</u>	<u>6,907</u>	<u>1,267</u>	<u>1,267</u>
	<u>27,016</u>	<u>6,938</u>	<u>1,298</u>	<u>1,298</u>

The quoted trade investments of the Group and the Company have a market valuation of KShs 30,880 (2006: KShs 30,880) and KShs 30,880 (2006: KShs 30,880), respectively.

The unquoted trade investments of the Group and the Company are valued by the directors at KShs 42,886,782 (2006: KShs 29,993,291) and KShs 1,267,480 (2006: KShs 1,267,480), respectively.

FINANCIAL STATEMENTS**NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 SEPTEMBER 2007****9. INVENTORIES**

	The Group		The Company	
	2007 KShs'000	2006 KShs'000	2007 KShs'000	2006 KShs'000
Tea	63,658	87,650	37,057	23,920
Tea and tree nurseries	4,269	6,235	-	-
Coffee	81,184	58,690	35,040	21,202
Estate stores	<u>57,149</u>	<u>32,267</u>	<u>24,478</u>	<u>10,166</u>
	<u>206,260</u>	<u>184,842</u>	<u>96,575</u>	<u>55,288</u>

10. TRADE AND OTHER RECEIVABLES

Trade debtors	81,140	71,311	23,926	3,932
Other debtors and prepaid expenses	<u>167,781</u>	<u>101,538</u>	<u>83,057</u>	<u>44,564</u>
	<u>248,921</u>	<u>172,849</u>	<u>106,983</u>	<u>48,496</u>

11. SUBSIDIARY COMPANIES BALANCES

Due from subsidiaries	<u>-</u>	<u>-</u>	<u>28,999</u>	<u>41,865</u>
Due to subsidiaries	<u>-</u>	<u>-</u>	<u>132,560</u>	<u>75,748</u>

12. SHARE CAPITAL

Authorised:				
300,000,000 ordinary shares of KShs 1 each (2006:40,000,000 ordinary shares of Kshs.5 each)	<u>300,000</u>	<u>200,000</u>	<u>300,000</u>	<u>200,000</u>
Issued and fully paid:				
228,055,500 ordinary shares of KShs 1 each. (2006:38,009,250 ordinary shares of Kshs.5 each)	<u>228,055</u>	<u>190,046</u>	<u>228,055</u>	<u>190,046</u>

In 2007, the Company had increased its authorised share capital, made a bonus issue and had a share split.

The Company split its shares in the ratio of 5 to 1. The par value of the shares was adjusted from KShs 5 per share in 2006 to KShs 1 per share in 2007.

The authorised share capital was increased from 40,000,000 ordinary shares of KShs 5 each in 2006 to 300,000,000 ordinary shares of KShs 1 each in 2007. The increase of 260,000,000 ordinary shares is attributable to a normal increase by 20,000,000 authorised ordinary share and a share split in the ratio of 5 to 1 contributing to an increase of 240,000,000 ordinary shares.

The company distributed KShs 38,009,250 out of the revenue reserves of the Company through bonus issue of 7,601,850 ordinary shares of KShs 5 each. The bonus issue increased the issued capital from KShs. 190,046,250 in 2006 to KShs 228,055,500 in 2007.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 SEPTEMBER 2007

13. RESERVES

	The Group		The Company	
	2007	2006	2007	2006
	KShs'000	KShs'000	KShs'000	KShs'000
Capital reserves	981,178	990,244	418,848	420,154
Biological assets fair value	1,177,676	1,180,201	387,474	271,191
Revenue reserves	<u>481,240</u>	<u>538,455</u>	<u>(16,983)</u>	<u>77,160</u>
	<u>2,640,094</u>	<u>2,708,900</u>	<u>789,339</u>	<u>768,505</u>

14. DIVIDENDS

Proposed dividend	<u>-</u>	<u>38,009</u>	<u>-</u>	<u>38,009</u>
Dividend per share in KShs	<u>-</u>	<u>1.00</u>	<u>-</u>	<u>1.00</u>

The dividend per share is calculated on total dividends for the year of KShs Nil. (2006: KShs 38,009,250) 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.

15. DEFERRED TAX

	The Group		The Company	
	2007	2006	2007	2006
	KShs'000	KShs'000	KShs'000	KShs'000
The provision for deferred tax comprises:				
Excess of tax allowances over depreciation	61,219	50,147	20,166	4,241
Tax losses	(72,849)	(25,665)	(45,801)	-
Other temporary differences	(48,027)	(48,067)	(9,843)	(14,809)
Biological assets	<u>525,092</u>	<u>527,760</u>	<u>166,061</u>	<u>116,225</u>
	<u>465,435</u>	<u>504,175</u>	<u>130,583</u>	<u>105,657</u>
Deferred tax movement:				
Balance brought forward	504,175	424,910	105,657	141,366
Balance carried forward	<u>465,435</u>	<u>504,175</u>	<u>130,583</u>	<u>105,657</u>
Movement during the year	<u>(38,740)</u>	<u>79,265</u>	<u>24,926</u>	<u>(35,709)</u>
Analysis of movement during the year				
Capital reserve charge	(2,774)	(2,792)	321	321
Minority interest share	(143)	(143)	-	-
Revenue reserves (credit) /charge	<u>(35,823)</u>	<u>82,200</u>	<u>24,605</u>	<u>(36,030)</u>
	<u>(38,740)</u>	<u>79,265</u>	<u>24,926</u>	<u>(35,709)</u>

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 SEPTEMBER 2007

16. BANK LOAN

This relates to a loan from Equatorial Commercial Bank Limited. The loan is repayable over a period of 48 months at an interest rate of 12%p.a.

17. POST EMPLOYMENT BENEFITS

This relates to provision for staff gratuity. An actuarial valuation was carried by the Actuarial services company, registered actuaries as at 30 September 2007.

18. TAXATION (RECOVERABLE)/PAYABLE

	The Group	
	2007 KShs'000	2006 KShs'000
BALANCE SHEET		
Balance brought forward	5,415	(16,113)
Charge for the year	5,852	26,968
Paid during the year	<u>(34,348)</u>	<u>(5,440)</u>
Balance carried forward	<u>(23,081)</u>	<u>5,415</u>
INCOME STATEMENT		
Income tax on the taxable profits for the year at 30 %	5,852	26,968
Deferred tax (credit)/charge	(29,792)	14,307
Deferred tax (credit)/charge on biological assets fair value	<u>(6,031)</u>	<u>67,893</u>
(Credit) /charge for the period after deferred tax	<u>(29,971)</u>	<u>109,168</u>
Reconciliation of tax charge		
Accounting (loss) /profit before taxation	<u>(70,723)</u>	<u>349,493</u>
Tax applicable rate of 30 %	(21,217)	104,848
Tax effects of items not deducted for tax	407	69,562
Originating and reversing temporary differences	<u>(9,161)</u>	<u>(65,242)</u>
	<u>(29,971)</u>	<u>109,168</u>

DIVIDEND TAX ACCOUNT

The Group and the Company have a credit balance on the dividend tax account of KShs 346,371,323 and KShs 153,092,787, respectively, which includes tax payments to 30 September 2007. There is therefore no compensating tax payable for the year.

19. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2007 KShs'000	2006 KShs'000	2007 KShs'000	2006 KShs'000
Trade payables	83,198	50,699	60,946	23,843
Accruals and provisions	44,575	49,098	10,124	15,036
Other payables	<u>80,827</u>	<u>87,153</u>	<u>18,740</u>	<u>10,551</u>
	<u>208,600</u>	<u>186,950</u>	<u>89,810</u>	<u>49,430</u>

FINANCIAL STATEMENTS**NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 SEPTEMBER 2007**

The bank overdraft facilities with Barclays Bank of Kenya Limited of KShs.5,500,000 are secured by way of a lien over cash deposit with the bank.

	2007 KShs'000	2006 KShs'000
Tea	916,285	883,775
Coffee	282,795	339,517
Livestock	5,267	3,929
Dairy produce	16,552	18,703
Horticulture	11,047	15,101
Retail trading sales	64,174	7,934
Coffee Mill	25,638	-
Marketing commission	3,596	-
	<u>1,325,354</u>	<u>1,268,959</u>

Stock movement	1,301	(74,305)
Stock adjustment	-	2,093
General charges	145,984	112,377
Plantation maintenance	337,766	264,266
Production expenses	229,346	183,020
Green leaf purchases	259,364	250,144
Coffee purchases	49,028	131,918
Shipping costs	1,610	7,098
Livestock expenses	17,408	17,746
Horticulture expenses	11,947	12,957
Retail trading expenses	64,248	33,170
Coffee Mill expenses	4,424	-
Marketing costs	1,370	-
	<u>1,123,796</u>	<u>940,484</u>

Gain on disposal of property, plant and equipment	910	78
Gain on disposal of investments	32,033	-
Exchange gain	-	1,630
Interest income	3,048	3,693
Rent received	3,321	6,568
Dividend received	1,390	939
Sundry income	28,727	31,904
	<u>69,429</u>	<u>44,812</u>

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 SEPTEMBER 2007

	2007 KShs'000	2006 KShs'000
Staff costs	85,915	86,430
Insurance and medical costs	14,244	14,490
Depreciation and amortisation	49,649	47,142
Amortisation-leasehold land	33	33
Auditor's remuneration	2,150	1,950
Directors emoluments	2,920	2,207
Legal and professional fees	3,136	1,555
Secretarial costs	3,000	3,000
Travelling and accommodation	2,342	2,171
Office expenses	11,410	8,388
Administration costs	37,409	34,144
Sundry expenses	<u>10,452</u>	<u>12,175</u>
	<u>222,660</u>	<u>213,685</u>

Warehousing and storage charges	<u>11,584</u>	<u>15,490</u>
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Livestock expenditures	2,022	2,014
Mombasa office expenses	-	2,058
Exchange loss	14,286	819
Retail trading /mill expenses	<u>71,735</u>	<u>12,478</u>
	<u>88,043</u>	<u>17,369</u>

Bank charges and interest	<u>10,531</u>	<u>3,559</u>
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The (loss)/profit before taxation is arrived at after charging:

Depreciation	46,649	47,142
Amortisation of leasehold land	33	33
Directors' emoluments		
Fees	2,920	2,207
Other remuneration	7,115	4,894
Pension scheme contribution	6,611	5,333
Auditors' remuneration	2,150	1,950
Bank charges & interest expense	10,531	3,559
Exchange loss	<u>14,286</u>	<u>819</u>

And after crediting:

Income from trade investments	1,390	939
Interest income	3,048	3,693
Foreign exchange gain	-	1,630
Gain on disposal of property, plant and equipment	910	78
Gain on disposal of investments	<u>32,033</u>	<u>-</u>

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 SEPTEMBER 2007

29. (LOSS)/EARNINGS PER SHARE

The calculation of (loss)/earnings per share is based on the loss after taxation and minority interests of KShs (33,571,000) (2006: profit KShs 236,738,000) and on 228,055,500 ordinary shares.

30. CASH FLOWS GENERATED FROM OPERATIONS

Reconciliation of profit before tax to cash generated from operations

	2007 KShs'000	2006 KShs'000
Profit before tax, minority interests & exceptional items	(70,723)	349,493
Adjustments for:		
Depreciation and amortisation	49,682	47,175
Foreign exchange loss/(gain)	14,286	(811)
Interest received	(3,048)	(3,693)
Dividend received from trade investments	(1,390)	(939)
Interest expense	10,531	3,559
Gains on disposal of property, plant and equipment	(910)	(78)
Gain on disposal of investments	(32,033)	-
Loss /(gains) arising from changes in fair value of biological assets	<u>8,892</u>	<u>(226,309)</u>
Operating (loss)/ profit before working capital changes	(24,713)	168,397
Increase in inventories	(21,418)	(74,791)
Increase in trade and other receivables	(76,070)	(60,761)
Increase in trade and other payables	21,650	62,325
Increase in post benefit employment obligations	<u>35,625</u>	<u>-</u>
Cash flows (used in) / generated from operations	<u>(64,926)</u>	<u>95,170</u>

31. CAPITAL COMMITMENTS

	The Group		The Company	
	2007 K.Shs'000	2006 K.Shs'000	2007 K.Shs'000	2006 K.Shs'000
Authorised and contracted for	<u>115,248</u>	<u>10,071</u>	<u>115,248</u>	<u>-</u>

The capital commitments relates to the proposed warehouses at Kamundu Estate-Kiambu and Mombasa and acquisition of Tea blending and packaging machinery.

32. CASH AND CASH EQUIVALENTS

	The Group	
	2007 KShs'000	2006 KShs'000
Cash and bank short term deposit	46,732	222,369
Bank overdraft	<u>(48,144)</u>	<u>(1,858)</u>
	<u>(1,412)</u>	<u>220,511</u>

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 SEPTEMBER 2007

33. 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. The following transactions were entered into with these related parties:

	The Group	
	2007 Kshs'000	2006 KShs'000
i) Purchase of goods and services		
Ryce East Africa Limited	3,838	142
Ryce Engineering Limited	4	30
Sameer Investments Limited	3,535	1,180
Sameer Management Limited	88	25
Celtel Kenya Limited	1,069	1,184
Dimension Data Solutions Limited	169	-
Yansam Motors Limited	263	211
Sameer Africa Limited	541	183
Swift Global Kenya Limited	<u>643</u>	<u>328</u>
	<u>10,150</u>	<u>3,283</u>

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. 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 in the normal course of business.

	The Group	
	Kshs'000	KShs'000
ii) Key Management compensation	<u>40,243</u>	<u>38,566</u>
iii) Staff Costs	76,905	79,678
Salaries and wages	3,735	1,116
Staff leave accruals	4,835	5,333
Pension costs-defined contribution scheme	<u>440</u>	<u>303</u>
National Social Security Fund	<u>85,915</u>	<u>86,430</u>

	The Group		The Company	
	2007	2006	2007	2006
	KShs'000	KShs'000	KShs'000	KShs'000
34. CONTINGENT LIABILITIES				
Liabilities under guarantee	<u>15,564</u>	<u>15,564</u>	<u>4,314</u>	<u>4,314</u>

35. POST BALANCE SHEET EVENTS

i) Investment in Sasini Coffee House Limited

Sasini Coffee House Limited was established during the year to operate coffee houses. Sasini Tea Limited's investment in the company amounted to KShs 20.9 million as at year end. The Company commenced operations in November 2007.

ii) Issue of corporate bond

The Company issued a corporate bond for KShs 600 million in order to raise funds to finance its expansions programmes. The bond officially commenced trading on the Nairobi Stock Exchange on 7 December 2007.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 SEPTEMBER 2007

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 2007.

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.

The average number of employees for the group during the year was 5,339 (2006: 5,383).

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

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

SASINI LIMITED (Formerly Sasini Tea and Coffee Limited) AND SUBSIDIARIES

FINANCIAL STATEMENTS

FIVE YEAR COMPARATIVE STATEMENTS

	2007 KShs '000	2006 KShs '000	2005 KShs '000	2004 KShs '000	2003 KShs '000
TEA					
Area – Hectares	1,437	1,437	1,437	1,437	1,354
Production – Kilograms	9,941,322	8,284,016	7,355,192	8,734,298	8,227,000
Sales – Kilograms	10,220,699	7,800,299	7,534,269	8,575,641	8,198,000
Sales proceeds – KShs / Kg	94.79	114.14	86.13	100.81	90.25
COFFEE					
Area – Hectares	912	912	912	912	911
Production – Tonnes	1,302	869	1,235	1,026	987
Sales – Tonnes	1,182	940	1,298	1,205	917
Sales proceeds – KShs '000 / tonne	200	202	199	141	107
	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
TURNOVER	<u>1,325,354</u>	<u>1,268,959</u>	<u>931,567</u>	<u>1,039,839</u>	<u>858,171</u>
Gains/(losses) arising from changes in fair value less estimated point of sale costs	<u>(8,892)</u>	<u>226,309</u>	<u>(469,260)</u>	<u>966,498</u>	<u>(269,147)</u>
Profit/(loss) before taxation and minority interests	(70,723)	349,493	(524,894)	1,104,137	(364,955)
Taxation	<u>29,971</u>	<u>(109,168)</u>	<u>158,998</u>	<u>(327,473)</u>	<u>103,617</u>
Profit/(loss) after taxation before minority interests	(40,752)	240,325	(365,896)	776,664	(261,338)
Minority Interest	7,181	(3,587)	(20,698)	(5,502)	8,982
Exceptional item	-	-	-	-	2,049
Profit/(loss) attributable to the members	(33,571)	236,738	(386,594)	771,162	(250,307)
Dividend	-	<u>(38,009)</u>	-	<u>(95,023)</u>	-
Retained (loss) / profit for the Year transferred to reserves	<u>(33,571)</u>	<u>198,729</u>	<u>(386,594)</u>	<u>676,139</u>	<u>(250,307)</u>

FINANCIAL STATEMENTS

FIVE YEAR COMPARATIVE STATEMENTS (Continued)

CAPITAL EMPLOYED	2007	2006	2005	2004	2003
	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
Property, plant and equipment	713,406	672,744	672,709	685,454	706,275
Intangible Assets	3,010	4,516	6,022	-	-
Goodwill	80	80	80	-	-
Biological assets	2,522,939	2,512,301	2,277,588	2,732,955	1,755,363
Prepaid leases on Leasehold land	13,733	13,766	13,799	13,832	13,865
Capital work in progress	18,251	38,443	7,872	10,035	6,577
Other Investments	27,016	6,938	6,932	6,913	6,060
Net current assets	<u>266,630</u>	<u>285,863</u>	<u>227,124</u>	<u>348,337</u>	<u>288,164</u>
	<u>3,565,065</u>	<u>3,534,651</u>	<u>3,212,126</u>	<u>3,797,526</u>	<u>2,776,304</u>
FINANCED BY					
Share capital	228,055	190,046	190,046	190,046	190,046
Reserves	2,640,094	2,708,900	2,507,379	2,891,017	2,211,262
Proposed dividend	<u>-</u>	<u>38,009</u>	<u>-</u>	<u>57,014</u>	<u>-</u>
Shareholders' funds	<u>2,868,149</u>	<u>2,936,955</u>	<u>2,697,425</u>	<u>3,138,077</u>	<u>2,401,308</u>
Minority interests	86,483	93,521	89,791	68,946	63,260
Deferred Tax	465,435	504,175	424,910	590,503	311,736
Bank loan	7,784	-	-	-	-
Post employment benefits	<u>137,214</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>3,565,065</u>	<u>3,534,651</u>	<u>3,212,126</u>	<u>3,797,526</u>	<u>2,776,304</u>
RATIOS					
(Loss) / Earnings per share	(0.15)	1.04	(10.17)	20.29	(6.59)
Dividend per share	-	1.00	-	2.50	-
Dividend cover (times covered)	-	6.23	-	8.12	-
Capital employed per share	15.10	93.00	84.51	99.91	73.04