FOR THE YEAR ENDED 30 SEPTEMBER 2008

CONTENTS

Directors

Dr. J. B. McFie, PhD. MBS (Chairman)
P. W. Muthoka, BA (Hons), MA, MBS, FKIB, FKIM, (Managing)
N. N. Merali, CBS
I. A. Timamy, LLB, CPS (K)
A. H. Butt, CPA(K), FCCA
E. M. Kimani, LLB, CPA(K), CPS(K) *(resigned on 9 December 2008)*
S. N. Merali, MSc.
M. J. Ernest*, BA, FCA
Mrs. L. W. Waithaka, MSc.

*British

Secretary

Mary Rebecca Ekaya, LLB, CPS (K)
P.O. Box 30151 - 00100
NAIROBI

Advocates

Shapley Barret & Co.
P. O. Box 40286
00100 GPO
NAIROBI

Hamilton Harrison and Mathews
P. O. Box 30333 - 00100
NAIROBI

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

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Auditors

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

Bankers

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00100 GPO
NAIROBI

Commercial Bank of Africa Limited
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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

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 57th ANNUAL GENERAL MEETING of the members will be held at Kamundu Estate, Kiambu, on Thursday, 26th February 2009, at 11.30 a.m, for the following purposes:

1. To confirm the minutes of the 56th Annual General Meeting held on 6th March 2008.

2. To receive, consider and if deemed fit, adopt the annual financial statements for the year ended 30th September 2008 together with the reports thereon of the Directors and of the Auditors.

3. To consider and if thought fit to elect the following 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) M. J. Ernest, a Director retiring by rotation, who being eligible, offers himself for re-election.
(vi) Dr. J. B. McFie, a Director retiring by rotation, who being eligible, offers himself for re-election.
(vii) Mrs. L. W. Waithaka, a Director retiring by rotation, who being eligible, offers himself for re-election.
(viii) P.W. Muthoka having given his notice of resignation as Managing Director, effective 31st December 2008, continues to hold office as a non-executive Director until the conclusion of the Annual General Meeting, retires by rotation, who being eligible, offers himself for re-election as a non-executive Director.

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

By order of the Board

Mary R. Ekaya
Company Secretary
Nairobi

15 December 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 inatolewa hapa kuwa mkutano mkuu wa kila mwaka wa hamsini na saba (57) wa wanachama utafanyika katika shamba la Kamundu, Kiambu, Alhamisi, tarehe 26 Februari 2009, saa tano na nusu asubuhi kwa madhumuni yafuatayo:

1. Kuthibitisha kumbukumbu za mkutano mkuu wa hamsini na sita (56) uliofanyika tarehe 6 Machi 2008.

2. Kupokea, kuchunguza na ikionekana sawa kuidhinisha taarifa za kifedha za mwaka uliomalizikia tarehe 30 Septemba 2008, pamoja na taarifa za wakurugenzi na wakaguzi wa hesabu kuhusiana na hesabu hizo.

3. Kuwachagua wakurugenzi wafuatao:

(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) M.J.Ernest, mkurugenzi anayestaafu kwa zamu, ambaye kwa kuwa ana haki ya kuchaguliwa, anajitolea kuchaguliwa tena.
(vi) Dkt. J.B. McFie, mkurugenzi anayestaafu kwa zamu, ambaye kwa kuwa ana haki ya kuchaguliwa, anajitolea kuchaguliwa tena.
(vii) Bi. L.W. Waithaka, mkurugenzi anayestaafu kwa zamu, ambaye kwa kuwa ana haki ya kuchaguliwa, anajitolea kuchaguliwa tena.
(viii) P.W. Muthoka, baada ya kutoa ilani, atajiuzulu kama mkurungenzi mkuu kutokea tarehe 31 Desemba 2008, anaendelea kama mkurungenzi asiye na mamlaka, mpaka mkutano mkuu wa mwaka huu, pia 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. Kushughulikia jambo lingine lolote linaloweza kushughulikiwa katika Mkutano wa Kila Mwaka.

Kwa Amri ya Halmashauri

Mary R. Ekaya
Katibu wa Kampuni
Nairobi

15 Desemba 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.

Economy

In the period under review, the Kenyan economy has been affected by a range of factors the most significant being the unfolding global financial crisis in the second half of 2008 and the political crisis that rocked the country in the beginning of 2008.

The present worldwide economic crisis is happening exactly ten years after the Asian financial crisis of 1998. The crisis whose epicentre is in the United States of America has affected many countries in the world and many economies are rapidly succumbing to the global credit crunch.

In order to alleviate the adverse impact of this global financial crisis, policy makers all over the world have been structuring massive bailout programs for the distressed economies. The USA has structured a $700 billion economic stimulus package followed closely by China $586 billion (4 trillion Yuan) package.

Being part of the global village, the unfolding crisis is likely to affect the Kenya economy directly. The Nairobi Stock Exchange has experienced a slide of 30% on the bourse's main 20-share index since June 2008. Sasini shares dropped to a low of Kshs 5.15 during this period.

In tandem, the Kenya Shilling has been depreciating against other foreign currencies touching a 4-year low of Kshs 80/$. The shilling is expected to remain fragile due to falling remittances from Kenyans living in the Diaspora, a reduction in the number of tourists visiting the country and a slow down in foreign investment. Tourist arrivals declined by 41.5% in the first half of 2007 compared to the first half of 2008.

Due to the political crisis experienced in the beginning of 2008, Kenya's economy experienced a 1.3% annualized contraction in the first quarter. It however recovered from this and registered a 3.2 % annualized growth in the second quarter. The global financial turmoil has however put brakes on this recovery trend and Kenya's economic growth projections have been revised downwards this financial year from earlier projections. The key economic sectors affected are agriculture, transport, communication and tourism.

In 2009 the economy is expected to grow at between 4 and 5 per cent against the previously projected 8%. This is in comparison to 2007's 7 per cent growth. All the macro economic indicators like inflation, exchange rate, balance of payments, interest rates and revenue collection have been negative for the first three quarters of 2008.

The Agricultural Sector in Kenya

The agricultural sector experienced a mixed performance in the first half of 2008. Unfavourable weather conditions adversely affected output especially in the tea growing areas, resulting in low productivity. Production, however, improved in the third quarter following the long rains in some parts of the country.

Kenya's cumulative tea production declined by 20.8% in the six months to June 30th 2008 compared to the corresponding period in 2007 (157,392 metric tons versus 198,782 metric tons). This was attributed to drier conditions in tea growing areas and post election violence in the first quarter. However, there was a slight upward trend in tea prices between 2007 and 2008. The tea export prices averaged US $ 1.84 per kilogram during the current financial year compared with US $ 1.65 per kilogram The tea export prices averaged US $ 1.84 per kilogram during the current financial year compared with US $ 1.65 per kilogram in 2007.

Kenya's coffee production declined by 35.2% from 35,340 metric tonnes in the first half of 2007 to 22,915 metric tonnes in the first half of 2008. The average coffee price fell from US$ 2.47 per kilogram in May 2007 to US$ 2.34 per kilogram in May 2008. With all the trade conducted in US Dollars, the tea and coffee sectors have been positively affected by the favourable exchange rate in the last quarter of the financial year.

In terms of costs of production, the agricultural sector has experienced rising costs of inputs particularly in relation to rising oil, electricity and fertilizer prices. In the international market crude oil prices hit an all-time high increasing by 92.3%, from an average of US$ 63.57 per barrel in June 2007 to an average of US $ 109.78 per barrel in June 2008. Thankfully this trend has been reversed in the last quarter of 2008 with prices settling in the US$ 60 per barrel range. Despite this drop in crude oil prices, the prices of oil products at the pump and electricity fuel surcharges have not proportionately been reduced although the Government has intervened by reducing taxes on electricity and also threatening to introduce price controls on oil products.

COMPANY PERFORMANCE

Overview

In the Financial Year ended 30 September 2008, the Company recorded a decline in tea and coffee production compared with actual production in 2007 and the budgeted production for the year under review. This decline in production is attributable to poor weather conditions and post election violence in the first half of the period under review. Despite a 10% increase in total revenue over the past financial year, profitability was adversely affected by the high input costs for electricity, oil, labour and fertilizers. In addition, overall profitability was affected by high interest expenses emanating from the Bond issued coupled with initial setup costs of new operations which did not yield returns during the financial year under review. As a result, the Company ended the year with an operating loss after tax of Kshs.13.4 million. This loss excludes the gain arising from changes in the fair value of biological assets which amounted to K.shs 889.1 million.

Tea Production

Tea production declined during the year to 7.66 million kgs of Made Tea compared to 9.94 million kgs in the year ended 30 September 2007. Approximately 50% of this production emanated from Sasini gardens with the balance coming from out growers. The decline is attributed to the political skirmishes experienced in our tea growing areas in the first half of the financial year and the poor weather conditions.

On the reduced leaf production levels, tea sales for the period were 7.68 million kgs compared to 10.21 million kgs in 2007. The average price realisation per kilogram was Kshs. 122.65 compared with KShs.94.79 in the previous year. This improved price realization was due to stronger international selling prices and a favourable exchange rate experienced in the tail-end of the year.

In addition to the reduced production volumes, the cost of production increased steeply in the year to Kshs. 102.25 per kilogram compared with Kshs. 86.82 per kilogram in 2007. The increase is mainly attributable to increases in costs of power, fuel and farm inputs.

Coffee Operations

During the year, the Company's coffee operations produced 1,112 tonnes of coffee compared with 1,302 tonnes in 2007. Sales during the year were 1,132 tonnes compared with 1,182 tonnes in 2007. The average price realisation during the year was KShs.248,958 per tonne compared with Kshs.200,164 in 2007. Coffee production also experienced an increase in operating costs due to the same factors that affected the tea sector namely costs of power, fuel and farm inputs. The Company continues to mill and market its own and out grower's coffee.

The milling expansion has been financed from the bond issue and recorded a profit from its operations. We envisage that the milling operations profitability will grow in future years.

Horticulture and Dairy

The company's horticultural operations performance was adversely affected by the dry weather conditions and posted negative results during the year. Dairy and livestock operations continued to be marginally profitable as total output reduced in the results during the year. Dairy and livestock operations continued to be marginally profitable as total output reduced in the period under review. There was a marginal compensation from rising milk prices during the period.

Overall observation

In the agricultural front, Sasini continues to experience the negative effects of high input costs for farm inputs, energy, and labour as is faced by the entire agricultural sector. Other threats beyond Sasini's control include fluctuating exchange rates, international commodity prices and adverse weather conditions. Sasini is however on track in implementing its value addition strategy as envisaged in its Vision 2012 through its now operational value added activities.

The Group's properties were revalued on 30th September 2008, by Lloyd Masika Ltd on the market value existing use basis. The book values of the properties were adjusted to the revaluations and the resultant surplus of Kshs. 1 billion, was credited to the capital reserve. These values represent the market value of the properties. A current revaluation of plant and equipment is in process and will be included in next year's financial statement.

Plan for Strategic Growth

The Company continues to pursue initiatives incorporated in Sasini's Vision 2012 the key elements of which include quality improvement, diversification and scaling up the value chain. As part of its diversification thrust, the company's milling operations has processed 5,500 tonnes of clean coffee comprising 1,100 tonnes of own coffee and 4,400 tonnes from out-growers. The coffee mill and the allied marketing activity are expected to generate increasing profits in the coming years.

As part of its vision, Sasini now has complete control over the value chain from the garden to the cup. The launching of the second "SAVANNA" lifestyle coffee lounge at the National Museum of Kenya has been well received in the market. A third coffee lounge was also launched in the Upper Hill area of Nairobi in November 2008. This segment is expected to generate growing returns for the company despite the relatively low consumption levels of coffee in Kenya.

The other important initiative Sasini started two years ago is value added teas and coffees. A significant amount of corporate bond funds has been utilized into setting up blending facilities and product development of the various tea and coffee products. This initiative requires considerable investment and a fairly long gestation period but the long term potential is favourable.

Sasini has also identified new tea export markets as an avenue for growth and has set up an Export Department. There are exciting prospects in the area of export for bulk tea and coffee, including Drthodox tea. It is envisaged that this activity will also make a positive contribution to Sasini's bottom line in the years to come.

Sasini's five-year fixed rate Note for K.Shs.600 Million is doing well in the fixed income security market segment of the Nairobi Stock Exchange. The first six-month interest was paid in June 2008. Global Credit Rating Company has maintained Sasini's rating at A2 for the short term and BBB+ for the long term.

The value added activities are expected to be profitable from 2009 onwards while the coffee and tea operations continue to be susceptible to variables beyond Sasini's control. As a Board we are unable to accurately speculate on the trends in the foreign exchange market, weather conditions and international commodity prices. We are however confident that as we implement our strategy, the company will increasingly be insulated from factors beyond the management control and generate more predictable results in the medium and long term.

Corporate Governance and Social Responsibility

"Corporate governance is the process by which companies are directed, controlled and held to account". Sasini's Board of Directors is responsible for the overall management of the group and is accountable to the shareholders for ensuring that the company complies with the law and the highest standards of best practice in corporate governance and business ethics.

The Directors are committed to the need to conduct the business and operations of Sasini with integrity and in accordance with generally accepted corporate practices and endorse internationally developed principles of good corporate governance. Strict adherence to good Corporate Governance and the rules and regulations of CMA and NSE are observed.

Sasini's corporate social responsibility strategy remained centred on the key platforms of employees' welfare, good neighbourliness and care for the environment. Towards this end the employees, who total more than 5,000 are provided with housing, recreational and health facilities. Sasini also lays great emphasis by being a good neighbour in all the geographical areas where it operates. In particular Sasini provides primary learning facilities at the estates for the children of the surrounding communities and members of staff located on the plantations. Sasini continues to work with local communities to develop a sustainable, safe and adequate water supply.

Through annual environmental self-audit the company remains focused towards meeting all the requirements of the Environment Management and Coordination Act. The company also has a very successful afforestation programme, which includes conservation of indigenous forests as well as sustainable production of wood for the company's requirements in our operations.

The management has maintained a riparian zone along the streams, which have been conserved with excellent ground cover in terms of grass to prevent soil erosion.

In order to excel in business operating activities, Sasini has acquired reputable international and local certifications covering all its operations. The certifications include UTZ Certified (Coffee), Ethical Tea Partnership of UK (Tea), EuropGap (Horticulture), and KEBS Diamond Mark of quality (Dairy and Value Added Products). Sasini is now geared towards being ISO 22000 certified in the near future.

Acknowledgement

I would like to take this opportunity to thank all members of the Sasini team, under the able leadership of the Managing Director, Mr. Peter W. Muthoka. I am highly appreciative of their dedicated service and their achievements in implementing the Sasini Vision 2012 strategic initiatives during the year despite a challenging operating environment. I am confident that 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.

Mr. Peter W. Muthoka retires on 31st December 2008 as the Managing Director and will continue as a member of the Sasini Board. I would like to wish the incoming Managing Director, Dr. M.J.C. Mwangi all my best wishes on his appointment and accordingly assure him that the Board is committed to supporting him fully as he guides Sasini forward in the important initiatives I have highlighted.

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 more turbulent times. Together we shall ensure that Sasini grows to become the premier agricultural company in Kenya.

Dr. J. B. McFie
Chairman

15 December 2008

Uchumi

Katika kipindi kinachoangaliwa, uchumi wa Kenya umeathiriwa na vipengele anuwai, muhimu zaidi ikiwa hali inayoendelea ya wasiwasi wa kifedha wa ulimwengu katika nusu ya pili ya mwaka 2008 na hali ya wasiwasi wa kisiasa iliyobabaisha nchi mwanzoni mwa mwaka 2008.

Hali ya sasa ya wasiwasi wa kiuchumi ya ulimwengu mzima hasa inatokea miaka kumi baada ya hali ya wasiwasi wa kifedha ya Asia ya mwaka 1998. Hali hii ya wasiwasi ambayo kitovu chake kiko Marekani imeathiri nchi nyingi ulimwenguni na chumi nyingi zinashindwa katika muamana wa ulimwengu.

Ili kuepuka athari mbaya ya hali hii ya wasiwasi wa kifedha wa ulimwengu, waundaji sera ulimwengu mzima wamekuwa wakiunda mipango mikuu ya kiuokozi kwa chumi zilizo na shida. Marekani imeunda mpango wa kuchangamsha kiuchumi wa bilioni $700 ikifuatwa kwa karibu na Uchina na mpango wa bilioni $586 (Yuan trilioni 4).

Tukiwa sehemu ya kijiji cha kilimwengu, hali ya wasiwasi inayoendelea yaelekea kuathiri uchumi wa Kenya moja kwa moja. Soko la Hisa la Nairobi limeanguka kwa asilimia 30 katika kielezo hasa cha hisa 20 za soko kutokea mwezi Juni 2008. Katika kipindi hiki, hisa za Sasini zilianguka kwa kiwango cha chini kabisa cha Kshs 5.15.

Kufuatana na hili, shilingi ya Kenya imekuwa ikishuka thamani dhidi ya fedha zingine za kigeni ikifikia kiwango cha chini kabisa katika miaka 4, cha Kshs. 80 kwa dola. Shilingi inatarajiwa kubakia dhaifu kutokana na kupungua kwa pesa zinazoletwa na Wakenya wanaoishi nje, kupungua kwa idadi ya watalii wanaotembea nchini na kupungua kwa uekezaji wa kigeni. Kuasili kwa watalii kulipungua kwa asilimia 41.5 katika nusu ya kwanza ya mwaka 2007 ikilinganishwa na nusu ya kwanza ya mwaka 2008.

Kutokana na hali ya wasiwasi wa kisiasa iliyotokea mwanzoni mwa mwaka 2008, uchumi wa Kenya ulipungua kwa asilimia 1.3 kwa mwaka katika robo ya kwanza. Ijapokuwa, ulipata ahueni kutokana na hali hii na kurejista ukuaji wa asilimia 3.2 kwa mwaka katika robo ya pili. Hata hivyo hali ya vurugu la kifedha la ulimwengu imesimamisha mwelekeo huu wa ukuaji na makisio ya ukuaji wa uchumi wa Kenya yamepunguzwa katika mwaka huu wa kifedha kutoka makisio ya awali. Sekta muhimu za kiuchumi zilizoathiriwa ni kilimo, usafiri, mawasiliano na utalii.

Katika mwaka 2009 uchumi unatarajiwa kukua kwa baina ya asilimia 4 na 5 dhidi ya asilimia 8 iliokisiwa awali. Hii ni ikilinganishwa na ukuaji wa asilimia 7 wa mwaka 2007. Dalili zote za uchumi mkuu kama kupanda kwa gharama za maisha, kiwango cha ubadilishaji wa fedha za kigeni, urari wa malipo, viwango vya riba na ukusanyaji wa mapato zimekuwa hasi katika robo tatu za kwanza za mwaka 2008.

Sekta ya Kilimo Nchini Kenya

Sekta ya kilimo ilipata utendaji mchanganyiko katika sehemu ya kwanza ya mwaka 2008. Hali zisizo mwafaka za anga ziliathiri vibaya mazao hasa katika maeneo ya ukuzaji majani chai, zikisababisha uzalishaji mdogo. Hata hivyo, uzalishaji uliimarika katika robo ya tatu kufuatia mvua ya msimu mrefu katika baadhi ya sehemu za nchi.

Uzalishaji jumla wa majani chai wa Kenya ulipungua kwa asilimia 20.8 katika miezi sita kufikia mwezi Juni 30 2008 ikilinganishwa na kipindi kama hicho katika mwaka 2007. (Tani mita 157,392 ikilinganishwa na tani mita 198,782). Hili lilitokana na hali kame zaidi katika maeneo ya ukuzaji majani chai na vurugu za baada ya uchaguzi katika robo ya kwanza ya mwaka. Hata hivyo kulikuwa na mwelekeo wa juu kidogo katika bei za majani chai baina ya mwaka 2007 na 2008. Bei za mauzo ya usafirishaji nje zilikuwa US$ 1.84 kwa kilo katika mwaka huu ikilinganishwa na US$ 1.65 kwa kilo katika mwaka 2007.

Uzalishaji kahawa wa Kenya ulipungua kwa asilimia 36.2 kutoka tani mita 35,340 katika nusu ya kwanza ya mwaka 2007 kuwa tani mita 22,915 katika nusu ya kwanza ya mwaka 2008. Bei ya wastani ya kahawa ilianguka kutoka US$ 2.47 kwa kilo katika mwezi Mei mwaka 2007 kuwa US$ 2.34 kwa kilo katika mwezi Mei mwaka 2008. Kwa vile biashara yote inaendelezwa kwa dola ya kimarekani, sekta za majani chai na kahawa zimeathiriwa vizuri na kiwango kinachofaa cha ubadilishaji katika robo ya mwisho ya mwaka wa kifedha.

Kufuatana na gharama za uzalishaji, sekta ya kilimo imepata gharama zinazoongezeka za pembejeo hasa kuhusiana na bei zinazoongezeka za mafuta, umeme na mbolea.

Katika soko la kimataifa bei za mafuta ghafi zilifikia kiwango cha juu kabisa zikiongezeka kwa asilimia 92.3, kutoka ya wastani ya US$ 63.57 kwa kila pipa mwezi Juni mwaka 2007 kuwa bei ya wastani ya US$ 109.78 kwa kila pipa mwezi Juni mwaka 2007 kuwa bei ya wastani ya US$ 109.78 kwa kila pipa mwezi Juni mwaka 2008. Tunashukuru mwelekeo huu umebadilishwa katika robo ya mwisho ya mwaka 2008 na bei zikitulia katika kiwango cha US$ 60 kwa pipa. Dhidi ya anguko hili katika bei za mafuta ghafi, bei za bidhaa za mafuta katika bomba na malipo ya ziada ya mafuta ya umeme hazijapunguzwa kwa uwiano, ijapokuwa Serikali imeingilia kwa kupunguza ushuru katika umeme na pia inatishia kuanzisha udhibiti wa bei za bidhaa za mafuta.

UTENDAJI WA KAMPUNI

Mtazamo

Katika mwaka wa kifedha ulioishia tarehe 30 Septemba 2007, Kampuni ilirekodi kupungua kwa uzalishaji wa majani chai na kahawa ikilinganishwa na uzalishaji halisi katika mwaka 2007 na uzalishaji uliokadiriwa wa mwaka unaochunguzwa. Upungufu huu wa uzalishaji unatokana na hali mbaya za anga na vurugu la baada ya uchaguzi katika sehemu ya kwanza ya kipindi kinachoangaliwa. Dhidi ya ongezeko la asilimia 10 katika mapato ya jumla katika mwaka wa kifedha uliopita, faida iliathirika sana na gharama za juu za pembejeo za umeme, mafuta, nguvu kazi na mbolea. Pamoja na hayo, faida ya jumla iliathiriwa na gharama za juu za riba zinazotokana na dhamana iliyotolewa pamoja na gharama za mwanzo za kuanzisha shughuli mpya ambazo hazikuzalisha faida katika mwaka wa kifedha unaoangaliwa. Na matokeo yake, Kampuni ilimaliza mwaka na hasara ya uendeshaji ya Kshs. milioni 13.4 baada ya ushuru. Hasara hii haijumlishi ongezeko lililotokana na mabadiliko katika thamani wastani ya rasilimali za kibiolojia zilizofikia Kshs. milioni 889.1.

Uzalishaji Majani Chai

Katika mwaka, uzalishaji majani chai ulipungua kuwa kilo milioni 7.66 za majani chai yaliyotengezwa ikilinganishwa na kilo milioni 9.94 katika mwaka ulioishia tarehe 30 Septemba 2007. Karibu asilimia 50 ya uzalishaji huu ulitokea katika mashamba ya Sasini na uliobakia ulitoka kwa wapanzi. Upungufu huu unahusishwa na ghasia za kisiasa zilizotokea katika maeneo yetu ya ukuzaji majani chai katika nusu ya kwanza ya mwaka wa kifedha na hali mbaya za anga.

Kutokana na viwango vilivyopungua vya uzalishaji majani chai, mauzo ya majani chai ya kipindi hiki yalikuwa kilo milioni 7.68 ikilinganishwa na kilo milioni 10.21 katika mwaka 2007. Bei ya wastani iliyopatikana kwa kilo ilikuwa Kshs. 122.65 ikilinganishwa na Kshs. 94.79 katika mwaka uliopita. Bei hii iliyopatikana ilioongezeka ilitokana na bei imara za uuzaji wa kimataifa na kiwango muafaka cha ubadilishaji wa fedha zilizopatikana mwishoni kabisa mwa mwaka.

Mbali na kupungua kwa viwango vya uzalishaji, gharama za uzalishaji ziliongezeka sana katika mwaka kuwa Kshs. 102.25 kwa kilo ikilinganishwa na Kshs. 86.82 kwa kilo katika mwaka 2007. Ongezeko hasa limesababishwa na ongezeko katika gharama za umeme, mafuta na limesababishwa na ongezeko katika gharama za umeme, mafuta na pembejeo za shamba.

Shughuli za Kahawa

Katika mwaka, shughuli za kahawa za Kampuni zilizalisha tani 1,112 za kahawa ikilinganishwa na tani 1,302 katika mwaka 2007. Mauzo katika mwaka yalikuwa tani 1,132 ikilinganishwa na tani 1,182 katika mwaka 2007. Bei ya wastani iliopatikana katika mwaka ilikuwa Kshs. 248,958 kwa tani ikilinganishwa na Kshs. 200,164 katika mwaka 2007. Uzalishaji wa kahawa pia ulipata ongezeko la gharama za uendeshaji kutokana na sababu zile zile zilizoathiri sekta ya majani chai, kwa kuzitaja, gharama za umeme, mafuta na pembejeo za shamba. Kampuni inaendelea kusaga na kuuza kahawa yake yenyewe na ya wapanzi.

Upanuzi wa usagaji ulilipiwa na utoaji wa dhamana na ulirekodi faida kutokana na shughuli zake. Tunatarajia kuwa faida ya shughuli za usagaji itaongezeka katika miaka ijayo.

Kilimo cha Bustani na Shughuli za Maziwa

Utendaji wa shughuli za kilimo cha bustani za kampuni uliathiriwa vibaya na hali kame za anga na kupata matokeo hasi katika mwaka. Shughuli za maziwa na ufugaji ziliendelea kuwa na faida ndogo sana kwa vile mazao ya jumla yalipungua katika kipindi kinachoangaliwa. Kulikuwa na fidia ndogo sana kutokana na bei za maziwa zilizoongezeka katika kipindi hiki.

Mtazamo wa Kijumla

Kwa upande wa kilimo, Sasini inaendelea kupata athari hasi za bei za juu za pembejeo za shamba, nishati, nguvukazi kama zinavyokabiliwa na sekta yote ya kilimo. Changamoto zingine zisizo katika udhibiti wa Sasini ni pamoja na viwango vya ubadilishaji fedha vinavyobadilikabadilika, bei za bidhaa za kimataifa na hali mbaya ya anga. Hata hivyo, Sasini ipo njiani kutekeleza mkakati wake wa kuongeza thamani kama ulivyoelezwa katika Muono wake wa 2012 kupitia shughuli zake za kuongeza thamani zinazotekelezwa sasa.

Rasilimali za Kundi zilithaminiwa tena tarehe 30 Septemba 2008 na Lloyd Masika Ltd kwa msingi wa utumizi wa thamani iliopo ya soko. Thamani ya kitabuni ya rasilimali zilizobadilishwa na uthamini mpya na ziada iliyotokea ya Kshs. bilioni 1 iliongezwa katika akiba ya mali. Thamani hizi zinawakilisha thamani ya soko ya mali. Uthamini wa sasa wa kiwanda na vifaa unaendelea na utajumuishwa katika taarifa ya kifedha ya mwakani.

Mpango wa Ukuaji wa Kimkakati

Kampuni inaendelea kutekeleza juhudi zilizojumuishwa katika Muono 2012 wa Sasini na elementi zake muhimu zikiwa ni pamoja na kuimarisha ubora, kupanua biashara kwa kutengeza bidhaa tofauti na kuongeza thamani ya mfuatano. Kama sehemu ya msukumo wa kupanua biashara kwa kutengeza bidhaa tofauti, shughuli za usagaji za Kampuni zimetengeneza tani 5,500 za kahawa safi zikiwa ni tani 1,100 za kahawa yake wenyewe na tani 4,400 kutoka kwa wapanzi. Kinu cha kahawa na shughuli ya uuzaji inayohusiana zinatarajiwa kuzalisha faida zinazoongezeka katika miaka inayokuja.

Kama sehemu ya Muono wake, sasa Sasini ina udhibiti kamili wa thamani ya mfuatano kutoka shambani hadi kikombeni. Uanzishi wa mkahawa wa pili wa mtindo wa maisha wa 'SAVANNA' katika Makavazi ya Kitaifa ya

Kenya umepokelewa vizuri sokoni. Mkahawa wa tatu pia ulianzishwa katika eneo la Upper Hill, Nairobi mnamo mwezi Novemba 2008. Kitengo hiki kinatarajiwa kuzalisha faida zinazoongezeka kwa kampuni dhidi ya viwango vidogo vya utumizi wa kahawa nchini Kenya.

Juhudi nyingine muhimu iliyoanzishwa na Sasini miaka miwili iliyopita ni majani chai na kahawa zilizoongezwa thamani. Kiasi kikuu cha fedha za dhamana ya shirika zimetumika kuanzisha nyenzo za kuchanganyia na kuendeleza bidhaa tofauti za mazao ya majani chai na kahawa. Jitihada hii inahitaji uwekezaji wa kutosha na kiasi kirefu cha kipindi cha kukua lakini uwezo wa muda mrefu ni muafaka.

Sasini pia imetambua masoko mapya ya usafirishi nje kama njia ya kukua na imeanzisha idara ya usafirishi nje. Kuna matarajio ya kuvutia katika maeneo ya usafirishi nje wa majani chai na kahawa nyingi, pamoja na majani chai halisi. Inatarajiwa kuwa shughuli hii pia itachangia vizuri mapato ya Sasini katika miaka inayokuja.

Hati ya miaka mitano ya kiwango maalum cha Kshs. milioni 600 ya Sasini inafanya vizuri katika kitengo cha soko la dhamana ya pato maalum cha soko la Hisa la Nairobi. Riba ya miezi sita ya kwanza ililipwa mwezi Juni mwaka 2008. Kampuni ya Global Credit Rating bado imekadiria Sasini kama A2 kwa kipindi cha muda mfupi na BBB+ kwa kipindi cha muda mrefu.

Shughuli za kuongeza thamani zinatarajiwa kuleta faida kutokea mwaka 2009 na kuendelea wakati shughuli za kahawa na majani chai zinaendelea kuathiriwa kwa urahisi na mambo tofauti nje ya udhibiti wa Sasini. Kama Halmashauri, hatuwezi kukadiria kwa usawa kabisa kuhusu mwelekeo katika soko la ubadilishaji wa fedha za kigeni, hali ya anga na bei za bidhaa za kimataifa. Ijapokuwa, tuna imani kuwa tunavyotekeleza mkakati wetu, Kampuni itakingwa zaidi kutokana na mambo yaliyo nje ya udhibiti wa usimamizi na kutoa matokeo yanayoweza kukadiriwa zaidi katika kipindi cha muda wa kiasi na muda mrefu.

Uongozi wa Ushirika na Wajibu wa Kijamii

'Uongozi wa ushirika ni njia ambayo kwamba makampuni yanaelekezwa, yanadhibitiwa na yanafanywa kuwajibika.' Halmashauri ya Wakurugenzi wa Sasini inawajibu wa usimamizi wa jumla wa Kundi na wanawajibika kwa wanahisa kuhakikisha kuwa kampuni inafuata sheria na viwango vya juu kabisa vya utendaji mzuri kabisa katika uongozi wa shirika na maadili ya biashara.

Wakurugenzi wamejitolea katika hitaji la kuendesha biashara na shughuli za Sasini kwa uaminifu na kulingana na matendo ya kawaida yanayokubalika ya mashirika na kuidhinisha misimamo ya uongozi ilioendelezwa kimataifa ya uongozi mzuri wa shirika. Ufuataji kamili wa uongozi mzuri wa ushirika na sheria na amri za CMA na NSE zinafuatwa.

Mkakati wa ushirika wa Sasini wa wajibu wa kijamii bado unalenga kwenye mambo muhimu ya ustawi wa wafanyikazi, ujirani mwema na utunzi wa mazingira. Kutekeleza hili wafanyikazi ambao ni zaidi ya 5000 wanapatiwa makazi na nyenzo za kujistarehesha na za afya. Sasini pia inaweka mkazo zaidi katika kuwa jirani mwema katika maeneo yote ya kijiografia ambayo wanafanya kazi. Hasa, Sasini inatoa nyenzo za kusomea kwa watoto wa jamii zilizo karibu na mashamba na wafanyikazi waliopo katika mashamba. Sasini inaendelea kufanya kazi na jamii za mahali hapo kuendeleza ugavi wa maji unaohimilika, wa salama na kutosha.

Kupitia ukaguzi wa kibinafsi wa kimazingira wa kila mwaka, kampuni bado imelenga katika kutimiza mahitaji yote ya Sheria ya Usimamizi na Uratibu wa Mazingira. Kampuni pia ina mpango wa kufaulu sana wa upandaji miti ambao unahusisha uhifadhi wa misitu ya asili na pia uzalishaji wa kuwezekana wa mbao kwa mahitaji ya kampuni katika shughuli zetu. Usimamizi umeweka maeneo ya kando ya mito, ambayo yamehifadhiwa na ufinikaji mzuri sana wa ardhi na manyasi kuzuia mmomonyoko wa udongo.

Ili kufaulu katika shughuli za ufanyaji biashara, Sasini imepata uthibitishi wa kusifika wa kimataifa na kitaifa katika shughuli zake zote. Uthibitishi huu ni pamoja na UTZ Certified (kahawa), Ethical Tea Partnership ya Uingereza (chai), EuropGap (kilimo cha bustani) na Alama ya ubora ya Almasi ya KEBS (bidhaa za maziwa na zilizoongezwa thamani). Sasa Sasini imelenga kupata uthibitishi wa ISO 22000 karibuni.

Shukrani

Ningependa kuchukua nafasi hii kuwashukuru wanachama wote wa timu ya Sasini, chini ya uongozi hodari wa Mkurugenzi Msimamizi, Bw Peter W. Muthoka. Ninashukuru sana huduma yao ya kujitolea na mafanikio yao katika kutekeleza juhudi za mkakati wa Muono 2012 wa Sasini katika mwaka dhidi ya mazingira changamoto ya utendaji kazi. Nina imani kuwa utekelezi wa kufaulu wa mpango wa kimkakati utatoa faida nzuri katika miaka ya mbele. Pia ningependa kuwashukuru wanachama wenzangu wa Halmashauri kwa usaidizi wao na kujitolea katika jitihada hizi mpya zinazofanywa na Kundi.

Bw. Peter W. Muthoka anastaafu tarehe 31 Desemba 2008 kama Mkurugenzi Msimamizi na ataendelea kama mwanachama wa Halmashauri ya Sasini. Ningependa kumtakia mema yangu yote Mkurugenzi Msimamizi anayeingia, Dkt. M.J.C. Mwangi kwenye wadhifa wake na wakati huo huo kumhakikishia kuwa Halmashauri imejitolea kumsaidia kikamilifu anapoiongoza Sasini mbele katika juhudi muhimu nilizozieleza.

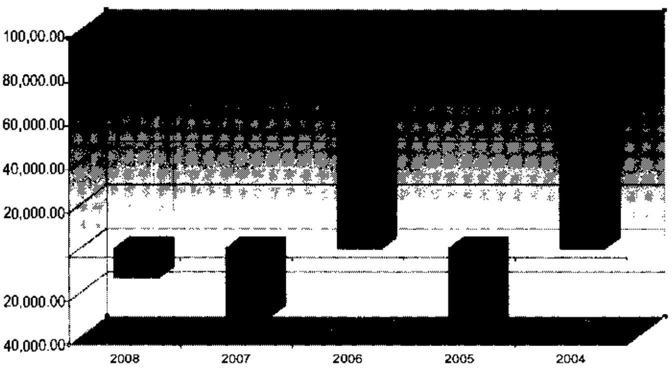
Hatimaye, ningependa kuwashukuru wanahisa wote wa Kampuni kwa usaidizi ambao wameutoa kwa usimamizi na Halmashauri katika nyakati nzuri na nyakati za misukosuko zaidi. Pamoja tutahakikisha kuwa Sasini inakua kuwa Kampuni ya kwanza ya kilimo nchini Kenya.

Dkt. J. B. McFie
Mwenyekiti

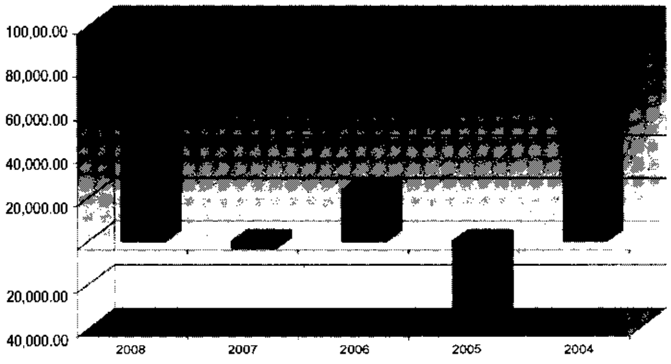
15 Desemba 2008

GRAPHICAL HIGHLIGHTS

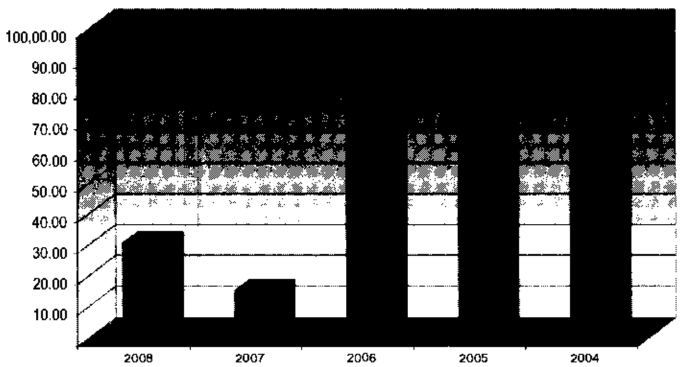
(Loss) / Profit arising from operating activities (Kshs millions)



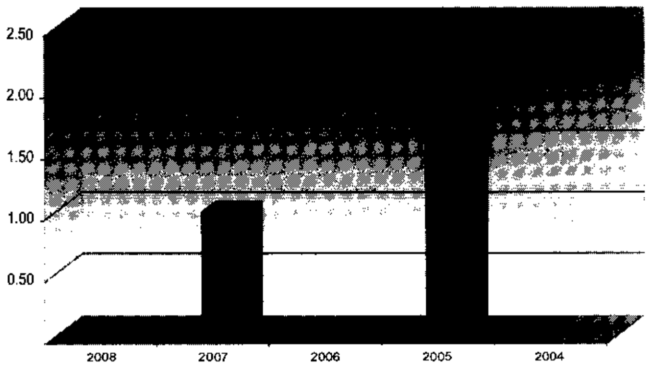
Profit/(Loss) attributable to the members



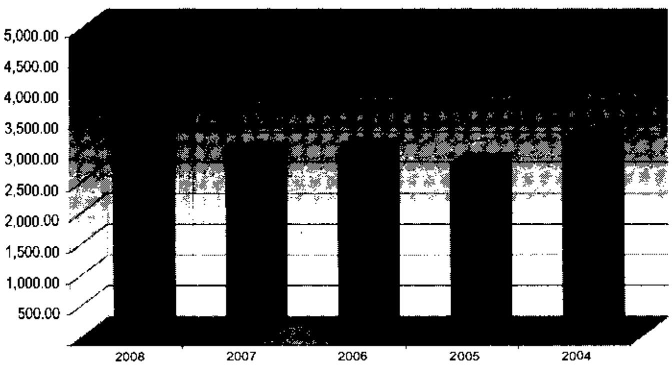
Funds Employed Per Share (K.Shs)



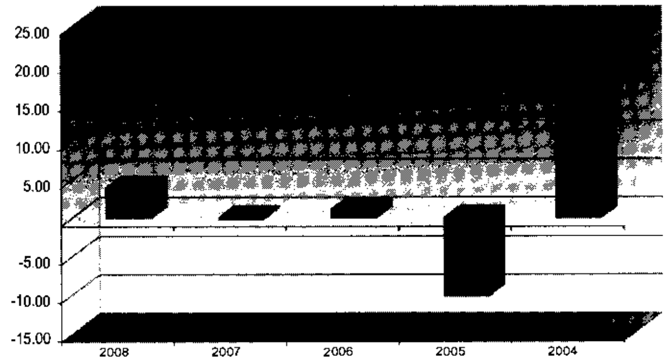
Dividends per Share (K.Shs)



Shareholders' Funds (K.Shs millions)



Earnings Per Share (K.Shs)



	2008 KShs'000	2007 KShs'000
TURNOVER	1,455,575	1,325,354
Loss arising from operating activities after tax	(13,408)	(31,046)
Gain / (loss) arising from changes in fair value of biological assets after tax	889,071	(2,525)
Profit / (loss) attributable to the members after tax	875,663	(33,571)
Shareholders' funds	4,717,305	2,954,632

DIVIDEND

The directors do not recommend the payment of a dividend in respect of the year ended 30 September 2008. (2007: Kshs. Nil)

STATISTICS

The statistics below relating to the Group's tea and coffee activities give a comparison of the consequences achieved in the last two years. A five year comparative statement is given on pages 57 to 58.

		TEA		COFFEE	
		2008	2007	2008	2007
Area	Hectares	1,437	1,437	912	912
Production	Tonnes	7,657	9,941	1,112	1,302
Sales	Tonnes	7,682	10,220	1,132	1,182
Gross sales proceeds:					
Tea	KShs/Kg	122.65	94.79	-	-
Coffee	KShs/Kg	-	-	244.30	200.02

The directors have pleasure in presenting their report and the audited financial statements for the year ended 30 September 2008 which show the state of affairs of the Group and the Company.

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

	2008 KShs'000	2007 KShs'000
Loss arising from operating activities	(13,408)	(31,046)
Proposed dividend	-	-
Balance transferred from reserves	(13,408)	(31,046)

SHARE CAPITAL AND RESERVES

The authorised and issued share capital of the Company at 30 September 2008 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 pages 28 and 29 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 1.

Messrs. N.N. Merali, A.H. Butt, I.A. Timamy, S.N. Merali, M.J. Ernest, Mrs. L.W. Waithaka and Dr. J.B McFie retire by rotation and, being eligible, offer themselves for re-election.

Mr. E.M. Kimani, resigned from the Board on 9 December 2008.

Mr. P. W. Muthoka continues to serve as a non-executive Director, also retires by rotation and being eligible offers himself for re-election.

Dr. M. J. C. Mwangi was appointed as the Managing Director effective 1st January 2009.

SUBSTANTIAL SHAREHOLDINGS

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

	Shareholding % 2008	2007
Legend Investments Limited	41.84	41.84
Yana Towers Limited	12.13	12.13
Karim Jamal	7.53	7.75

DIRECTORS' INTERESTS

Directors' interests in the shares of the Company as at 30 September 2008 were as follows:

Name of Director	No. of Shares
Mr. P. W. Muthoka	117,858
Mr. A. H. Butt	600
Mr. I. A. Timamy	13,000

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

Mary R. Ekaya
Company Secretary
Nairobi

15 December 2008

RIPOTI YA WAKURUGENZI

Wakurugenzi wanafuraha kuwakilisha taarifa yao ya mwaka na taarifa za hesabu zilizokaguliwa za mwaka ulioishia tarehe 30 Septemba 2008 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

	2008 Kshs '000	2007 Kshs '000
Hasara inayotokana na kuendesha shughuli	(13,408)	(31,046)
Mgao wa faida unaopendekezwa	-	-
Faida iliyobakishwa na kuhamishwa (kutoka)/kwenye akiba	(13,408)	(31,046)

RASILIMALI YA HISA NA AKIBA

Rasilimali ya hisa za Kampuni zilizoidhinishwa na kutolewa kufikia tarehe 30 Septemba 2008 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 28 na 29 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 1.

Mabwana, N.N. Merali, A.H. Butt, I.A. Timamy, S.N. Merali, M.J. Ernest, Bi. L.W. Waithaka na Dkt. J.B. McFie wanastaafu kwa zamu na, kwa kuwa wanastahili, wanajitolea kuchaguliwa tena.

Bw. E.M. Kimani, alijiuzulu kutoka kwa Halmashauri tarehe 9 Desemba 2008.

Bw. P. W. Muthoka anaeendelea kuwa mkurungenzi, asiye na mamlaka pia anastaafu, na kwa kuwa anastahili, anajitolea kuchaguliwa tena.

Dkt. M. J. C. Mwangi aliteuliwa mkurungenzi mkuu tarehe Januari 1 2009.

UMILIKAJI WA HISA NYINGI

	Umilikaji wa hisa % 2008	2007
Legend Investment Limited	41.84	41.84
Yana Towers Limited	12.13	12.13
Karim Jamal	7.53	7.75

USHIRIKA WA WAKURUGENZI

Ushirika wa wakurugenzi katika hisa za Kampuni kufikia tarehe 30 Septemba 2008 ni kama ufuataо:

Jina la Mkurugenzi	Idadi ya Hisa
Bw.P.W.Muthoka	117,858
Bw.A.H.Butt	600
Bw.I.A.Timamy	13,000

WAKAGUZI

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

Kwa Amri ya Halmashauri

Mary R. Ekaya
Katibu wa Kampuni
Nairobi

15 Desemba 2008

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

The Group 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 Group. 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 Meetings

Board Meetings are held every quarter and in exceptional circumstances as dictated by demand exigencies of Company operations. This financial year, a total of four (4) Board Meetings were held.

Board Committees

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

The Board has two committees both of which are guided by clear terms of reference. The committees are instrumental in monitoring Group 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 roles of the committee include:

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 Group's system of accounting and internal controls.
iii) Liaising with external auditors of the Group and effecting their recommendations.
iv) Defining the scope and responsibilities of the internal auditors.

Finance and Management Committee

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

The roles of the committee include:

I) To monitor and review the operational and financial performance of the Group against key performance indicators, identifying shortcomings and ensuring corrective measures and actions are taken.
ii) To review the Group's investment plans and recommend these to the Board for approval.
iii) To ensure that the 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 2008 are contained in note 28 to the financial statements in this annual report.

Neither at the end of the financial year, nor at any time during the year did there exist any arrangement to which the Group is party, whereby directors might acquire benefits by means of the acquisition of the Group's shares. There were no directors' loans at any time during the year.

Communication With Shareholders

The Group 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 Group's website and also distributed to all shareholders and to other parties who have an interest in the Group's performance, on request.

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

Social and Environmental Responsibilities

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

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

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

Going Concern

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

CORPORATE GOVERNANCE (Continued)

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 2008 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	17,179,970	7.53
4	East Africa Batteries Ltd.	9,421,800	4.13
5	Stanbic Nominees Kenya Ltd - A/C R48701	5,812,760	2.55
6	Gulamali Ismail	3,984,400	1.75
7	Virchand Virpal & Sons Limited	3,437,800	1.51
8	Investments & Mortgages Nominees Ltd A/C 018785	3,265,200	1.43
9	Satchu Aly-Khan	2,574,520	1.13
10	Investments & Mortgages Nominees Ltd A/C 026036	2,255,800	0.99

Other Shareholding (No. of Shares)	No. of Shares held	No. of shareholders	% Shareholding
Less than 500	519,860	2,489	0.23
500 - 5,000	6,258,640	4,120	2.74
5,001 - 10,000	3,285,654	456	1.44
10,001 - 100,000	15,279,331	582	6.70
100,001 - 1,000,000	17,138,130	74	7.51
Above 1,000,000	185,573,885	19	81.38
Total	**228,055,500**	**7,740**	**100.00**

James Boyd McFie

Dr. J. B. McFie
Chairman

P. W. Muthoka
Managing Director

15 December 2008

STATEMENT OF DIRECTORS' RESPONSIBILITIES ON THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2008

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 and Company 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
Chairman

P. W. Muthoka
Managing Director

15 December 2008

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF SASINI LIMITED AND SUBSIDIARIES

ERNST & YOUNG

Tel +254 020 2715300
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Certified Public Accountants
Kenya-Re Towers, Upperhill, Off Ragati Road
P.O. Box 44286
00100 GPO, Nairobi Kenya

Report on the Financial Statements

We have audited the accompanying financial statements of Sasini Limited and subsidiaries, set out on pages 25 to 62 which comprise the consolidated balance sheet as at 30 September 2008 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, together with the balance sheet of the company as at 30 September 2008 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 and the requirements of the Kenyan Companies Act. 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 judgment, 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 2008 and of the profit of the Group and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Kenyan Companies Act.

ERNST & YOUNG

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

Ernst & Young
Certified Public Accountants (Kenya)

Nairobi

15 December 2008

CONSOLIDATED BALANCE SHEET 30 SEPTEMBER 2008

	Note	2008 KShs'000	2007 KShs'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	3(a)	1,941,955	713,406
Capital work-in-progress	3(b)	14,013	18,251
Intangible assets	4(i)	2,368	3,010
Goodwill	4(ii)	-	80
Biological assets	5(a)	3,838,529	2,522,939
Prepaid leases on leasehold land	6	21,598	13,733
Other investments	8	6,045	27,016
		5,824,508	3,298,435
CURRENT ASSETS			
Inventories	9	329,891	206,260
Trade and other receivables	10	270,179	248,921
Amounts due from related companies	11	1,615	1,615
Taxation recoverable	17	-	23,081
Cash and bank balances		370,113	46,732
		971,798	526,609
		6,796,306	3,825,044
SHAREHOLDERS' FUNDS AND LIABILITIES			
Capital and Reserves			
Share capital	12	228,055	228,055
Reserves	13	4,367,379	2,640,094
Minority interest		121,871	86,483
		4,717,305	2,954,632
NON-CURRENT LIABILITIES			
Deferred tax	14	969,653	465,435
Bank loan	15	4,550	7,784
Post employment benefits	16	143,575	137,214
Notes in issue	18	600,000	-
		1,717,778	610,433
CURRENT LIABILITIES			
Short term portion of post employment benefits	16	13,824	9,830
Tax payable	17	10,415	-
Trade and other payables	19	329,627	198,770
Bank overdraft	20	4,122	48,144
Short term portion of bank loan	15	3,235	3,235
		361,223	259,979
TOTAL SHAREHOLDERS' FUNDS AND LIABILITIES		6,796,306	3,825,044

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

Dr. J. B. McFie
Chairman

P.W. Muthoka
Managing Director

COMPANY BALANCE SHEET 30 SEPTEMBER 2008

	Note	2008 KShs'000	2007 KShs'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	3(a)	1,263,600	410,288
Capital work-in-progress	3(b)	6,717	16,930
Biological assets	5(b)	1,088,994	700,091
Prepaid leases on leasehold land	6	8,512	633
Investment in subsidiary companies	7	60,797	36,768
Other investments	8	1,298	1,298
		2,429,918	1,166,008
CURRENT ASSETS			
Inventories	9	173,171	96,575
Trade and other receivables	10	131,855	106,983
Amounts due from subsidiary companies	11	35,874	27,384
Amounts due from related companies	11	1,615	1,615
Tax recoverable	17	15,136	12,309
Cash and bank balances		283,086	30,263
		640,737	275,129
TOTAL ASSETS		3,070,655	1,441,137
SHAREHOLDERS' FUNDS AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	12	228,055	228,055
Reserves	13	1,577,216	789,339
		1,805,271	1,017,394
NON-CURRENT LIABILITIES			
Deferred tax	14	296,429	130,583
Bank loan	15	4,550	7,784
Post employment benefits	16	11,206	23,281
Notes in issue	18	600,000	-
		912,185	161,648
CURRENT LIABILITIES			
Short term portion of post employment benefits	16	1,500	2,100
Trade and other payables	19	175,588	87,710
Amounts due to subsidiary companies	11	168,754	132,560
Bank overdraft	20	4,122	36,490
Short term portion of bank loan	15	3,235	3,235
		353,199	262,095
TOTAL SHAREHOLDERS' FUNDS AND LIABILITIES		3,070,655	1,441,137

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

Dr. J. B. McFie
Chairman

P.W. Muthoka
Managing Oirector

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2008

	Note	2008 KShs'000	2007 KShs'000
TURNOVER	21	1,455,575	1,325,354
Gains/(losses) arising from changes in fair value of biological assets less estimated point of sale costs		1,302,454	(8,892)
COSTS OF SALES	22	(1,049,322)	(1,123,796)
Gross profit		1,708,707	192,666
Other income	23	25,886	66,381
		1,734,593	259,047
EXPENSES			
Administration and establishment expenses	24	(274,097)	(222,660)
Selling and distribution expenses	25	(10,782)	(11,584)
Other charges and expenses	26	(122,827)	(88,043)
Profit / (loss) from operations		1,326,887	(63,240)
Finance costs	27	(60,481)	(7,483)
PROFIT / (LOSS) BEFORE TAX ANO MINORITY INTERESTS	28	1,266,406	(70,723)
TAXATION (CHARGE) / CREOIT	17	(381,202)	29,971
PROFIT / (LOSS) AFTER TAX ANO BEFORE MINORITY INTERESTS		885,204	(40,752)
MINORITY INTERESTS		(9,541)	7,181
PROFIT / (LOSS) ATTRIBUTABLE TO THE MEMBERS		875,663	(33,571)
LOSS ARISING FROM OPERATING ACTIVITIES		(13,408)	(31,046)
GAINS / (LOSS) ARISING FROM CHANGES IN FAIR VALUE OF BIOLOGICAL ASSETS AFTER TAX		889,071	(2,525)
		875,663	(33,571)
		KShs	KShs
LOSS PER SHARE ON NORMAL OPERATIONS		(0.06)	(0.14)
EARNINGS / (LOSS) PER SHARE ON BIOLOGICAL ASSETS		3.90	(0.01)
NET EARNINGS / (LOSS) PER SHARE (KSHS)	29	**3.84**	**(0.15)**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENOEO 30 SEPTEMBER 2008

	Share capital KShs'000	Capital reserves KShs'000	Revenue reserves KShs'000	Biological assets fair Value KShs'000	Proposed dividends KShs'000	Minority Interest KShs'000	Total Equity Kshs'000
At 1 October 2006	190,046	990,244	538,455	1,180,201	38,009	93,521	3,030,476
Loss for the year	-	-	(31,046)	(2,525)	-	-	(33,571)
Minority interest in the - profit after tax	-	-	-	-	-	(7,181)	(7,181)
Bonus issue	38,009	-	(38,009)	-	-	-	-
Dividend paid	-	-	-	-	(38,009)	-	(38,009)
Deferred tax	-	2,774	-	-	-	143	2,917
Excess depreciation - on revaluation	-	(11,839)	(11,839)	-	-	-	-
At 30 September 2007	228,055	981,179	481,239	1,177,676	-	86,483	2,954,632
At 1 October 2007	228,055	981,179	481,239	1,177,676	-	86,483	2,954,632
Profit / (loss) for the year	-	-	(13,408)	889,071	-	-	875,663
Minority interest in the - profit after tax	-	-	-	-	-	9,541	9,541
Contributions by minority - shareholders	-	-	-	-	-	30,000	30,000
Revaluation surplus	-	1,010,016	-	-	-	-	1,010,016
Deferred tax on revaluation	-	(158,394)	-	-	-	(4,152)	(162,546)
Excess depreciation - on revaluation	-	(11,839)	11,839	-	-	-	-
At 30 September 2008	228,055	1,820,962	479,670	2,066,747	-	121,872	4,717,306

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2008

	Share capital KShs'000	Capital reserves KShs'000	Accumulated reserves KShs'000	Biological assets fair Value KShs'000	Proposed dividends KShs'000	Total Equity Kshs'000
At 1 October 2006	190,046	420,155	77,160	271,191	38,009	996,561
(Loss)/ profit for the year	-	-	(57,120)	116,283	-	59,163
Bonus issue	38,009	-	(38,009)	-	-	-
Dividend paid	-	-	-	-	(38,009)	(38,009)
Deferred tax	-	(321)	-	-	-	(321)
Excess depreciation on revaluation	-	(985)	985	-	-	-
At 30 September 2007	228,055	418,849	(16,984)	387,474	-	1,017,394
At 1 October 2007	228,055	418,849	(16,984)	387,474	-	1,017,394
(Loss)/ profit for the year	-	-	(64,358)	267,339	-	202,981
Revaluation surplus	-	663,214	-	-	-	663,214
Deferred tax	-	(78,318)	-	-	-	(78,318)
Excess depreciation on revaluation	-	(985)	985	-	-	-
At 30 September 2008	228,055	1,002,760	(80,357)	654,813	-	1,805,271

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2008

	Note	2008 KShs'000	2007 KShs'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash flows generated from operations	30	92,284	(64,926)
Income taxes paid	17	(6,033)	(34,348)
Net cash generated from / (used in) operating activities		86,251	(99,274)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	3(a)	(287,460)	(88,805)
Work-in-progress	31	4,238	20,191
Purchase of intangible assets	4	(1,243)	-
Biological assets	5	(13,136)	(19,530)
Purchase of leasehold land and buildings	6	(8,000)	-
Dividends received from trade investments	23	976	1,390
Interest received	27	17,209	3,048
Proceeds on sale of property, plant and equipment	23	180	910
Disposal of investments		-	32,926
Transfer / (purchase) of investments		20,971	(20,971)
Net Cash flow used in investing activities		(266,265)	(70,841)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid	27	(77,690)	(10,531)
Short term financing		-	12,938
Notes issued		600,000	-
Loan repayments		(3,234)	(1,920)
Contributions from minority shareholders		30,000	
Dividend paid on ordinary shares		-	(38,009)
Net cash generated from / used in financing activities		549,076	(37,522)
Net increase/(decrease) in cash and cash equivalents		369,062	(207,637)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		(1,412)	220,511
Effect of exchange rates changes		(1,659)	(14,286)
CASH AND CASH EQUIVALENTS AS AT THE END OF THE YEAR	32	365,991	(1,412)

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 SEPTEMBER 2008

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 the financial statements are set out below. These policies have been consistently applied, unless otherwise stated.

a) Adoption of New and Revised International Financial Reporting Standards (IFRS)

In 2007, new and revised accounting standards and interpretations became effective for the first time and have been adopted by the Group where relevant to its operations. This only resulted in changes in presentation and disclosure as follows:

IFRS 7 Financial Instruments: Disclosures
This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results, comparative information has been revised where necessary. These new disclosures are shown in note 35.

IAS 1 Presentation of Financial Statements
This amendment requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. These new disclosures are shown in note 36.

Standards, amendments and interpretations that have been issued and are not yet effective for the Group's operations

The following amendments to standards and interpretations will be mandatory for the accounting periods beginning on or after 1 January 2009, but which the Group has not early adopted, and is reviewing their relevance to its operations.

- IFRS 2, Amendments to IFRS 2 Share-based Payment – Vesting Conditions and Cancellations (effective 1 January 2009)
- IFRS 3, Business Combinations (effective from 1 July 2009)
- IFRS 8, Operating Segments (effective from 1 January 2009)
- IAS 1, Presentation of Financial Statements amendment (effective from 1 January 2009)
- IAS 23 (revised) Borrowing Costs (effective 1 January 2009)
- IAS 27, Consolidated and Separate Financial Statements (effective 1 July 2009)
- IAS 32, Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation (effective 1 January 2009)

The directors anticipate that the adoption of these standards will have no material effect on the financial statements of the Group.

b) Basis of Preparation

The financial statements are prepared in compliance with International Financial Reporting Standards (IFRS). The financial statements are presented in the functional currency, 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 carried at revaluation amounts.

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 SEPTEMBER 2008

SIGNIFICANT ACCOUNTING POLICIES (continued)

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 judgement 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 1(f) and 1 (g) 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.

(c) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries made up to 30 September 2008. 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 in note 7.

On acquisition, the assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognized. The results of subsidiaries acquired or disposed off during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of the subsidiaries to bring the accounting policies used in line with those used by other members of the Group.

All intercompany transactions and balances between Group 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.

(d) Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill is recognised as an asset and assessed annually for impairment.

(e) Investments 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.

(f) 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

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 SEPTEMBER 2008

SIGNIFICANT ACCOUNTING POLICIES (continued)

asset discounted at the current market determined pre tax rate. 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 5 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.

Income taxes and deferred tax
Significant judgement is required in determining the Group's provision for deferred and income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred income tax provisions in the year in which such determination is made.

Post employment benefit obligation
The cost of the unfunded service gratuity is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on scheme assets and future salary increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

(g) 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:

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.

(h) 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 SEPTEMBER 2008

SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(i) 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, 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 profit nor the accounting profit.

(j) Investments

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

(k) Inventories

Tea and coffee stocks are stated at the lower of cost and net realisable value. Cost is determined on the 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 cost less provisions for obsolescence, slow moving and defective stores.

(l) 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.

(m) 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. 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 the 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;

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 SEPTEMBER 2008

SIGNIFICANT ACCOUNTING POLICIES (continued)

Buildings and improvements	over the estimated useful lives
Plant, machinery and tools	12.5% p.a
Rolling stock	25.0%p.a
Farm implements and trailers	12.5%p.a
Computers	33.3%p.a

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.

(n) Intangible Assets

An intangible asset arises from the purchases of 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 assets are amortised on a straight-line basis over their useful lives (5 yrs).

(o) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all risks and rewards of ownership to the lessee.

All other leases are classified as operating leases.

Payments to acquire leasehold interest in land are treated as prepaid operating lease rentals and stated at historical cost less accumulated amortization and any accumulated impairment losses. Annual amortization is charged on a straight line basis over the remaining period of the lease.

Rentals payable under operating leases are charged to the income statement on a straight line basis over the term of the relevant lease.

Assets held under finance leases are recognized as assets of the Group at their fair values at the date of acquisition. The corresponding liability to the lessor is included in the balance sheet as finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of assets acquired, are charged to income statement over the lease term so as to produce constant annual rate of charge on the remaining balance of the obligations for each accounting year.

(p) 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.

(q) Retirement Benefits Costs

The Group operates a defined contribution retirement benefits scheme for its non-unionized employees.

The assets of the defined contribution scheme are held in a separate trustee administered fund, which is funded by contributions from the company, at a rate of 12.5% of the basic salary of each employee.

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENOEO 30 SEPTEMBER 2008

SIGNIFICANT ACCOUNTING POLICIES (continued)

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 contributions to the above schemes are charged to the income statement in the year to which they relate.

(r) 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.

(s) 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.

(t) Borrowing Costs

Borrowings and loans are initially recognised at fair value, net of issue costs and any discount or premium on settlement. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method.
Borrowing costs are recognised as an expense when incurred.

(u) 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.

(v) 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.

(w) 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

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 SEPTEMBER 2008

SIGNIFICANT ACCOUNTING POLICIES (continued)

recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in the income statement.

(x) Financial Instruments

Financial instruments are recognised in the Group financial statements when, and only when, the Group becomes a party to the contractual provisions of the instrument.

On initial recognition, the financial instruments are measured at fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

For the purpose of financial reporting, the financial instruments are classified into the following four categories:

a. Financial instruments at fair value through profit or loss;
b. Held-to-maturity investments;
c. Loans and receivables; and,
d. Available-for-sale financial assets.

(a) ***Financial instruments at fair value through profit or loss***
A financial instrument at fair value through profit or loss is a financial asset or financial liability that is classified as held for trading or is designated as at fair value through profit or loss.

(b) ***Held-to-maturity investments***
Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed quoted in an active market.

(c) ***Loans and receivables***
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

(d) ***Available for sale linancial instruments***
Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments (c) or financial assets at fair value through profit or loss.

The Group's principal financial instruments include unquoted equity investments, trade and other receivables, bank and cash balances and trade and other payables.

(i) ***Unquoted equity instruments***
Investments in shares of other enterprises that give the Group a residual interest in the assets of that enterprise after deducting all of its liabilities are classified as equity instruments. Unquoted investments are reported at their acquisition costs, less any accumulated impairment losses since their fair values cannot be reliably determined.

(ii) ***Trade and other receivables***
Trade receivables are carried at their original invoiced amount less an estimate made for bad and doubtful receivables based on a review of all outstanding amounts, on an account by account basis, at the year end. Bad debts are written off in the year in which they are identified as irrecoverable.

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 SEPTEMBER 2008

SIGNIFICANT ACCOUNTING POLICIES (continued)

(iii) ***Cash and cash equivalents***

For the purpose of the cash flow statement, cash equivalents include short term liquid investments which are readily convertible to known amounts of cash, net of any outstanding overdrafts.

(iv) ***Provisions***

The major provisions outstanding as at the balance sheet date include staff gratuity provision and leave pay provision. Provisions for liabilities are recognised when there is a present obligation (legal or constructive) resulting from a past event, it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate can be made of the monetary value of the obligation.

(v) ***Accounts payable***

Accounts payable are non interest bearing financial liabilities and are carried at amortised cost, which is measured at the fair or contractual value of the consideration to be paid in future in respect of goods and services supplied by the suppliers, whether billed to the Group or not, less any payments made to the suppliers.

Gains and losses

Gains or losses on revaluation of financial assets and financial liabilities carried at fair value are dealt with as follows:

- For financial assets and financial liabilities classified as fair value through profit or loss, the gains or losses are recognised through the income statement; and;
- For financial assets and financial liabilities classified as available for sale, the gains or losses are recognized directly through equity. However, impairment losses and foreign exchange differences, if any, are dealt with through the income statement.
- For financial assets and financial liabilities carried at amortised cost, gains or losses are recognised in profit or loss when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

Impairment and uncollectibility of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or Group of financial assets is impaired.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition).

The carrying amount of the asset is written down through use of an allowance account. The amount of the loss is recognised through the income statement.

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.
When there is a decline in the fair value of an available-for-sale financial asset whose fair value gains and losses have been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is removed from equity and recognised in the income statement even though the financial asset has not been derecognised.

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 SEPTEMBER 2008

SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment losses recognised in the income statement for an investment in an equity instrument classified as available for sale are not reversed.

De-recognition

Financial assets (or a portion thereof) are de-recognised when the Group's rights to the cash flows expire or when the Group transfers substantially all the risks and rewards related to the financial asset or when the Group loses control of the financial asset. On de-recognition, the difference between the carrying amount of the financial asset and proceeds receivable and any prior adjustment to reflect fair value that had been reported in equity are included in the income statement. Financial liabilities (or a portion thereof) are de-recognised when the obligation specified in the contract is discharged, cancelled or expires. On de-recognition, the difference between the carrying amount of the financial liability, including related un-amortised costs and amounts paid for it, are included in the income statement.

(y) Segment Information

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

Segment revenue is the revenue that is directly attributable to a segment plus the relevant portion of the Group's revenue that can be allocated to the segment on a reasonable basis. Segment revenue excludes finance income.

Segment expenses are expenses resulting from the operating activities of a segment plus the relevant portion of an expense that can be allocated to the segment on a reasonable basis. Segment expenses exclude finance costs and income taxes.

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.

Capital expenditure represents the total cost incurred during the year to acquire segment assets (property, plant and equipment) that are expected to be used during more than one year.

2. BUSINESS AND GEOGRAPHICAL SEGMENTS

(i) 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 SEPTEMBER 2008

2. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

a) Business Segments (Continued)

Segment information is as presented below.

	Tea KShs '000	Coffee KShs '000	Others KShs '000	Consolidated KShs '000
30 September 2008				
Revenue				
Sales to external customers	898,757	327,944	228,874	1,455,575
Other income	10,422	14,945	519	25,886
	909,179	342,889	229,393	1,481,461
Results				
Operating results on operating activities	93,835	(8,568)	(60,834)	24,433
Operating results on biological assets	811,075	491,379	-	1,302,454
Operating results	904,910	482,811	(60,834)	1,326,887
Assets and liabilities				
Segment assets	3,372,688	3,081,573	339,697	6,793,958
Segment liabilities	271,780	1,764,186	42,492	2,078,458
Other segment information				
Capital expenditure- tangible fixed assets	23,325	130,593	154,678	308,596
Depreciation and amortisation of leasehold land	28,536	27,671	14,739	70,946
Average number of employees	4,347	1,108	159	5,614
30 September 2007				
Revenue				
Sales to external customers	916,285	245,753	163,316	1,325,354
Other income	42,752	18,106	8,571	69,429
	959,037	263,859	171,887	1,394,783
Results				
Operating results	(97,989)	47,827	(13,078)	(63,240)
Assets and liabilities				
Segment assets	1,520,054	1,733,290	571,700	3,825,044
Segment liabilities	216,036	38,146	616,230	870,412
Other segment information				
Capital expenditure- tangible fixed assets	8,653	89,376	10,307	108,336
Depreciation and amortisation of leasehold land	28,561	16,166	4,955	49,682
Average number of employees	4,189	1,067	83	5,339

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 SEPTEMBER 2008

2. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

(ii) 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.

(iii) 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 consist of exports to Europe, the Middle East, Egypt and Pakistan. It is not possible, however, to segregate these auction sales by market. The remainder of the sales revenue is attributable to direct exports and local sales.

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 SEPTEMBER 2008

3. PRDPERTY, PLANT AND EQUIPMENT

a) The Group

Year ended 30 September 2008

	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
CDST DR VALUATIDN						
At start of the year	374,803	502,537	464,995	175,175	78,770	1,596,280
Additions	-	146,956	72,186	20,666	47,652	287,460
Disposals	-	-	-	(600)	-	(600)
Revaluation surplus	468,197	211,399	-	-	-	679,596
At 30 September 2008	843,000	860,892	537,181	195,241	126,422	2,562,736
Comprising:						
At cost	-	146,956	294,583	179,471	114,287	735,297
At valuation	843,000	713,936	242,598	15,770	12,135	1,827,439
	843,000	860,892	537,181	195,241	126,422	2,562,736
DEPRECIATIDN						
At start of the year	-	310,827	361,720	142,083	68,244	882,874
Charge for the year	-	21,675	22,575	12,471	12,206	68,927
Disposals	-	-	-	(600)	-	(600)
Eliminated on revaluation	-	(330,420)	-	-	-	(330,420)
At 30 September 2008	-	2,082	384,295	153,954	80,450	620,781
NET BOOK VALUE						
At 30 September 2008	843,000	858,810	152,886	41,287	45,972	1,941,955

The Group's property was revalued on 30 September 2008 by Lloyd Masika Limited, registered valuers, on the market value existing use basis.

The plant and equipment were revalued on 30 September 1995 by Lloyd Masika Limited, registered valuers, on the net current replacement cost basis. A current revaluation of plant and equipment is in process and will be included in next year's financial statements.

The book values of the properties were adjusted to the revaluations and the resultant surplus, net of the deferred income tax, was credited to the capital reserve as at that date.

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 594,248,986 (2007 – KShs. 582,285,649) which are still in use.

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 SEPTEMBER 2008

3. PROPERTY, PLANT AND EQUIPMENT (Continued)

a) The Group (continued)

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 VALUATIDN						
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	374,803	502,537	464,995	175,175	78,770	1,596,280
Comprising:						
At cost	154,547	121,604	222,397	159,405	66,635	724,588
At valuation	220,256	380,933	242,598	15,770	12,135	871,692
	374,803	502,537	464,995	175,175	78,770	1,596,280
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	-	310,827	361,720	142,083	68,244	882,874
NET BOOK VALUE						
At 30 September 2007	374,803	191,710	103,275	33,092	10,526	713,406

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 SEPTEMBER 2008

3. PROPERTY, PLANT AND EQUIPMENT (Continued)

(a) The Company

Year ended 30 September 2008

	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	165,867	111,206	63,758	42,358	663,035
Additions	-	131,253	65,256	16,744	7,821	221,074
Revaluation surplus	402,154	142,229	-	-	-	544,383
At 30 September 2008	682,000	439,349	176,462	80,502	50,179	1,428,492
Comprising:						
At cost	-	131,253	103,320	59,742	39,529	333,844
At valuation	682,000	308,096	73,142	20,760	10,650	1,094,648
	682,000	439,349	176,462	80,502	50,179	1,428,492
DEPRECIATION						
At start of the year	-	111,757	59,137	52,199	29,654	252,747
Charge for the year	-	8,610	11,522	6,966	3,878	30,976
Eliminated on revaluation	-	(118,831)	-	-	-	(118,831)
At 30 September 2008	-	1,536	70,659	59,165	33,532	164,892
NET BOOK VALUE						
At 30 September 2008	682,000	437,813	105,503	21,337	16,647	1,263,600

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 173,818,529 (2007 – KShs 170,719,968) which are still in use.

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 SEPTEMBER 2008

3. PROPERTY, PLANT AND EQUIPMENT (Continued)

(a) The Company (continued)

Year ended 30 September 2008

	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	-	25,013	28,532	9,496	14,432	77,473
At 30 September 2007	279,846	165,867	111,206	63,758	42,358	663,035
Comprising:						
At cost	64,415	38,713	38,064	43,042	31,708	215,942
At valuation	215,431	127,154	73,142	20,716	10,650	447,093
	279,846	165,867	111,206	63,758	42,358	663,035
DEPRECIATION						
At start of the year	-	106,379	55,077	49,701	25,294	236,451
Charge for the year	-	5,378	4,060	2,498	4,360	16,296
At 30 September 2007	-	111,757	59,137	52,199	29,654	252,747
NET BOOK VALUE						
At 30 September 2007	279,846	54,110	52,069	11,559	12,704	410,288

b) Capital Work-In-Progress

Capital work-in-progress at 30 September 2008 relates to a new Information Management Information System and commitments to open a third coffee lounge outlet.

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 SEPTEMBER 2008

4. INTANGIBLE ASSETS

(i) Accounting Software

	Group	
	2008 KShs '000	2007 KShs '000
COST		
Balance brought forward	7,528	7,528
Additions	1,243	-
	8,771	7,528
AMORTISATION		
Balance brought forward	4,518	3,012
Charge for the year	1,885	1,506
At 30 September	6,403	4,518
NET BOOK VALUE		
At 30 September	2,368	3,010
(ii) Goodwill		
Arising on acquisition of subsidiary	80	80
Impairment	(80)	-
Carrying amount	-	80

5. BIOLOGICAL ASSETS

a) The Group

Year ended 30 September 2008

	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 1.10.2007	881,402	1,413,375	210,824	3,190	14,148	2,522,939
Gains / (losses) arising from changes in fair value less estimated point of sale costs	463,084	777,751	61,451	(210)	378	1,302,454
Increases due to purchases / planting	516	6,490	5,811	-	319	13,136
Carrying amount as at 30.09.2008	1,345,002	2,197,616	278,086	2,980	14,845	3,838,529

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 SEPTEMBER 2008

5. BIOLOGICAL ASSETS (continued)

a) The Group
Year ended 30 September 2007

	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 / planting	865	12,715	5,753	-	197	19,530
Transfer	-	-	-	392	(392)	-
Decreases due to harvest	-	-	(21,361)	-	-	(21,361)
Carrying amount as at 30.09.2007	881,402	1,413,374	210,826	3,190	14,147	2,522,939

b) The Company

Year ended 30 September 2008

	Coffee trees KShs '000	Other trees KShs '000	Livestock KShs '000	Total KShs '000
Carrying amount as at 1.10.2007	614,042	82,989	3,060	700,091
Transfer	(773)	773	-	-
Gains /(losses) arising from changes in fair value less estimated point of sale costs	365,616	18,207	135	383,958
Increases due to purchases / planting	-	4,650	295	4,945
Carrying amount as at 30.09.2008	978,885	106,919	3,490	1,088,994

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 SEPTEMBER 2008

5. BIDLOGICAL ASSETS (Continued)

b) The Company

Year ended 30 September 2007

	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	3,177	532,385
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 / planting	773	618	197	1,588
Carrying amount as at 30.09.2007	614,042	82,989	3,060	700,091

The Group is involved in the growing, processing and selling of coffee and tea and breeding of dairy cattle. At 30 September 2008, the Group had 127 (2007:145) cows able to produce milk, 101 (2007:111) calves that are raised to produce milk in the future, 127 (2007:104) bull calves and 328 (2007:347) sheep. The Group produced 714,058 (2007:792,968) litres of milk with a fair value less estimated point of sale costs of KShs 15,417,898 (2007: 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 1,112,151 (2007: 1,301,552) kgs of coffee with a fair value less estimated point of sale costs of KShs 247 million (2007: KShs 221 million).

The Group has 1,763 (2007:1,437) hectares of mature tea bushes and 46 (2007:32) hectares of young tea bushes. The Group harvested 18,810,725 (2007: 25,690,200) kgs of green tea leaves with a fair value less estimated point of sale costs of KShs 275 million (2007: 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. Future cash flows have been discounted at 15%.

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.
- Production is taken as an average of five years.
- The biological transformation rate will remain at 100%.

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 SEPTEMBER 2008

6. PREPAID LEASES ON LEASE HOLD LAND

	The Group		The Company	
	2008	2007	2008	2007
COST	KShs '000	KShs '000	KShs '000	KShs '000
Balance brought forward	15,260	15,260	1,210	1,210
Additions	8,000	-	8,000	-
At 30 September	23,260	15,260	9,210	1,210
AMORTISATION				
Balance brought forward	1,527	1,494	577	559
Charge for the year	135	33	121	18
At 30 September	1,662	1,527	698	577
NET BOOK VALUE				
At 30 September	21,598	13,733	8,512	633

7. INVESTMENT IN SUBSIDIARY COMPANIES

Share in subsidiaries at cost	-	-	60,797	36,768

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 Coffee & Tea Exporters Limited	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 2008.

8. OTHER INVESTMENTS

	The Group		The Company	
	2008	2007	2008	2007
	KShs '000	KShs '000	KShs '000	KShs '000
Trade investments:				
Quoted	31	31	31	31
Unquoted	6,014	26,985	1,267	1,267
	6,045	27,016	1,298	1,298

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 SEPTEMBER 2008

8. OTHER INVESTMENTS (continued)

The quoted trade investments of the Group and the Company have a market valuation of KShs 30,880 (2007: KShs 30,880).

The unquoted trade investments of the Group and the Company are valued by the directors at KShs 18,195,225 (2007: KShs 42,886,782) and KShs 1,267,480 (2007: KShs 1,267,480) respectively.

9. INVENTORIES

	The Group		The Company	
	2008	2007	2008	2007
	KShs '000	KShs '000	KShs '000	KShs '000
Tea	71,808	63,658	96,707	37,057
Tea and tree nurseries	2,990	4,269	-	-
Coffee	137,285	81,184	28,559	35,040
Estate stores	117,808	57,149	47,905	24,478
	329,891	206,260	173,171	96,575

10. TRADE AND OTHER RECEIVABLES

Trade receivables	147,625	81,140	88,388	23,926
Other receivables and prepaid expenses	122,554	167,781	43,467	83,057
	270,179	248,921	131,855	106,983

11. RELATED COMPANIES' BALANCES

Amount due from subsidiaries				
Aristocrats Coffee & Tea Exporters Limited	-	-	4,148	20,657
Mweiga Estate Limited	-	-	31,726	6,727
	-	-	35,874	27,384
Amount due to subsidiaries				
Kipkebe Limited	-	-	168,754	132,560
Amount due from related company				
Sasini Uganda Limited	1,615	1,615	1,615	1,615

12. SHARE CAPITAL

Authorised:				
300,000,000 ordinary shares of KShs 1each	300,000	300,000	300,000	300,000
Issued and fully paid:				
228,055,500 ordinary shares of KShs 1 each.	228,055	228,055	228,055	228,055

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 SEPTEMBER 2008

13. RESERVES

	The Group		The Company	
	2008 KShs '000	2007 KShs '000	2008 KShs '000	2007 KShs '000
Capital reserve	1,820,962	981,179	1,002,760	418,848
Biological assets fair value	2,066,747	1,177,676	654,813	387,474
Accumulated profit / (losses)	479,670	481,239	(80,357)	(16,983)
	4,367,379	2,640,094	1,577,216	789,339

14. DEFERRED TAX

	The Group		The Company	
	2008 KShs '000	2007 KShs '000	2008 KShs '000	2007 KShs '000
The provision for deferred tax comprises:				
Excess of tax allowances over depreciation	217,450	61,219	96,450	20,166
Tax losses	(116,209)	(72,849)	(76,850)	(45,801)
Other temporary differences	(51,306)	(48,027)	(5,850)	(9,843)
Biological assets	919,718	525,092	282,679	166,061
	969,653	465,435	296,429	130,583
Deferred tax movement:				
Balance brought forward	465,435	504,175	130,583	105,657
Balance carried forward	969,653	465,435	296,429	130,583
Movement during the year	504,218	(38,740)	165,846	24,926
Analysis of movement during the year:				
Capital reserve charge	158,394	(2,792)	78,318	321
Adjustment	-	18	-	-
Minority interest share	4,152	(143)	-	-
Revenue reserves (credit) /charge	341,672	(35,823)	87,528	24,605
	504,218	(38,740)	165,846	24,926

15. BANK LOAN

	The Group		The Company	
	2008 KShs '000	2007 KShs '000	2008 KShs '000	2007 KShs '000
Long term portion	4,550	7,784	4,550	7,784
Short term portion	3,235	3,235	3,235	3,235
	7,785	11,019	7,785	11,019

This relates to a hire purchase facility from Equatorial Commercial Bank Limited to finance purchase of company motor vehicles. The loan is repayable over a period of 48 months at an interest rate of 12% p.a and is secured by joint registration of the vehicles.

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 SEPTEMBER 2008

16. POST EMPLOYMENT BENEFITS

	Group		Company	
	2008	2007	2008	2007
	KShs '000	KShs '000	KShs '000	KShs '000
Balance brought forward	147,044	111,340	25,381	11,689
Actuarial valuation adjustment	(23,237)	(13,733)	(13,392)	-
Paid during the year	(14,607)	(9,751)	(1,427)	(2,094)
Charge for the year	48,199	59,188	2,144	15,786
Balance carried forward	157,399	147,044	12,706	25,381
Long term portion	143,575	137,214	11,206	23,281
Short term portion	13,824	9,830	1,500	2,100
	157,399	147,044	12,706	25,381

This relates to provision for staff gratuity. The company has entered into collective bargaining agreements with trade unions representing its employees that provide for gratuity payments on age and ill-health, retirement, withdrawal, resignation and death in-service of an employee. The gratuity arrangements are unfunded.

An actuarial valuation was carried out by The Actuarial Services Company, registered actuaries, as at 30 September 2007.

The principle assumptions used were as follows:

	(% p.a)
- Discount rate	10
- Future salary increases	8
- Future pension increases	0

17. TAXATION PAYABLE / (RECOVERABLE)

	Group		Company	
	2008	2007	2008	2007
BALANCE SHEET	KShs '000	KShs '000	KShs '000	KShs '000
Balance brought forward	(23,081)	5,415	(12,309)	(10,600)
Charge for the year	39,529	5,852	-	-
Paid during the year	(6,033)	(34,348)	(2,827)	(1,709)
Balance carried forward	10,415	(23,081)	(15,136)	(12,309)
INCOME STATEMENT				
Income tax on the taxable profits for the year at 30 %.	39,529	5,852	-	-
Deferred tax charge / (credit)	(52,952)	(29,792)	(29,091)	(25,230)
Deferred tax charge / (credit) on biological assets fair value	394,625	(6,031)	116,619	49,835
Charge / (credit) for the year after deferred tax	381,202	(29,971)	87,528	24,605

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 SEPTEMBER 2008

17. TAXATION PAYABLE

Reconciliation of tax charge	Group		Company	
	2008 KShs'000	2007 KShs'000	2008 KShs'000	2007 KShs'000
Accounting profit / (loss) before taxation	1,266,406	(70,723)	290,510	83,768
Tax applicable rate of 30 %	379,922	(21,217)	87,153	25,131
Tax effects of items not allowed for tax	467	407	375	(2,019)
Prior year deferred tax	813	-	-	-
Originating and reversing temporary differences	-	(9,161)	-	1,493
	381,202	(29,971)	87,528	24,605

DIVIDEND TAX ACCOUNT

The Group and the Company have credit balances on the dividend tax accounts of KShs 354,455,759 and KShs 157,306,275,respectively, which include tax payments to 30 September 2008. Therefore, there is no compensating tax payable for the year.

18. BOND ISSUE FUNDS

	The Group		The Company	
	2008 KShs '000	2007 KShs '000	2008 KShs '000	2007 KShs000
Bond issue funds	600,000	-	600,000	-

The Company issued a KShs 600,000,000, 5 year fixed rate note with a coupon rate of 11.75% payable semi-annually. The bond's issue date was 03 December 2007 and it was listed on the Nairobi Stock Exchange on 07 December 2007. The notes will be redeemed in full by 3rd December 2012. Payments of principal will be made annually commencing on 03 June 2010 with the final payment being done on 03 December 2012. Interest payments on the notes commenced on 03 June 2008 and are payable semi-annually thereafter in arrears.

19. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2008 KShs '000	2007 KShs '000	2008 KShs '000	2007 KShs '000
Trade payables	167,010	83,198	122,472	60,946
Accruals and provisions	80,185	34,745	28,023	8,024
Other payables	82,432	80,827	25,093	18,740
	329,627	198,770	175,588	87,710

20 BANK OVERDRAFT

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

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 SEPTEMBER 2008

21. TURNOVER

	The Group	
	2008 KShs '000	2007 KShs '000
Tea	898,757	916,285
Coffee	302,710	282,795
Livestock	6,654	5,267
Dairy produce	18,056	16,552
Horticulture	12,022	11,047
Retail trading sales	144,905	64,174
Coffee mill	68,471	25,638
Marketing commission	4,000	3,596
	1,455,575	1,325,354

22. COST OF SALES

	2008	2007
Stock movement	(64,443)	1,301
General charges	126,818	145,984
Plantation maintenance	282,350	337,766
Production expenses	222,868	229,346
Green leaf purchases	227,656	259,364
Coffee house expenses	13,757	-
Coffee purchases	-	49,028
Shipping costs	-	1,610
Livestock expenses	20,662	17,408
Horticulture expenses	11,116	11,947
Retail trading expenses	185,397	64,248
Coffee mill expenses	23,141	4,424
Marketing costs	-	1,370
	1,049,322	1,123,796

23. OTHER INCOME

	2008	2007
Gain on disposal of property, plant and equipment	180	910
Gain on disposal of investments	-	32,033
Exchange gain	2,073	-
Rent received	6,416	3,321
Dividend received	976	1,390
Sundry income	16,241	28,727
	25,886	66,381

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 SEPTEMBER 2008

24. ADMINISTRATION AND ESTABLISHMENT EXPENSES

	2008 KShs '000	2007 KShs '000
Staff costs (note 33)	89,667	85,915
Insurance and medical costs	15,253	14,244
Depreciation of property, plant and equipment	68,927	48,143
Amortisation of intangible assets	1,885	1,506
Amortisation of leasehold land	135	33
Auditors' remuneration	2,460	2,150
Directors' emoluments	2,852	2,920
Legal and professional fees	6,440	3,136
Secretarial costs	3,000	3,000
Travelling and accommodation	661	2,342
Corporate overheads	20,842	-
Office expenses	12,195	11,410
Administration costs	38,064	37,409
Sundry expenses	11,716	10,452
	274,097	222,660

25. SELLING AND DISTRIBUTION EXPENSES

	2008	2007
Warehousing and storage charges	10,782	11,584

26. OTHER CHARGES AND EXPENSES

	2008	2007
Livestock expenditures	2,666	2,022
Exchange loss	3,732	14,286
Coffee house expenses	27,566	-
Retail trading / mill expenses	88,863	71,735
	122,827	88,043

27. FINANCE COSTS

	2008	2007
Bank charges and interest	77,690	10,531
Interest receivable	(17,209)	(3,048)
	60,481	7,483

28. PROFIT / (LOSS) BEFORE TAXATION

	2008	2007
The profit / (loss) before taxation is arrived at after charging:		
Depreciation	68,927	48,143
Amortisation of intangible assets	1,885	1,506
Amortisation of leasehold land	135	33
Directors' emoluments:		
Fees	2,852	2,920
Other remuneration	7,371	7,115

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 SEPTEMBER 2008

28. PROFIT / (LOSS) BEFORE TAXATION (continued)

	2008 KShs'000	2007 KShs'000
Pension scheme contribution	6,611	6,611
Auditors' remuneration	2,460	2,150
Bank charges and interest expense	77,690	10,531
Exchange loss	3,732	14,286
And after crediting:		
Income from trade investments	976	1,390
Interest income	17,209	3,048
Foreign exchange gain	2,073	-
Gain on disposal of property, plant and equipment	180	910
Gain on disposal of investments	-	32,033

29. EARNINGS / (LOSS) PER SHARE

The calculation of earnings / (loss) per share is based on the profit / (loss) after taxation and minority interests and on the number of ordinary shares on issue. Basic and diluted earnings per share are the same.

30. CASH FLOWS GENERATED FROM OPERATIONS

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

	2008 KShs '000	2007 KShs '000
Profit / (loss) before tax and minority interests	1,266,406	(70,723)
Adjustments for:		
Depreciation and amortisation	70,947	49,682
Foreign exchange loss/(gain)	1,659	14,286
Interest received	(17,209)	(3,048)
Dividend received from trade investments	(976)	(1,390)
Interest expense	77,690	10,531
Gains on disposal of property, plant and equipment	(180)	(910)
Gain on disposal of investments	-	(32,033)
Impairment of goodwill	80	-
Loss/ (gains) arising from changes in fair value of biological assets	(1,302,454)	8,892
Operating (loss)/ profit before working capital changes	95,963	(24,713)
Increase in inventories	(123,631)	(21,418)
Increase in trade and other receivables	(21,258)	(76,070)
Increase in trade and other payables	130,855	21,650
Increase in post employment obligations	10,355	35,625
Cash flows generated from / (used) operations	92,284	(64,926)

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 SEPTEMBER 2008

31. CAPITAL COMMITMENTS

	The Group		The Company	
	2008	2007	2008	2007
	KShs '000	KShs '000	KShs '000	KShs '000
Authorised and contracted for	28,756	115,248	17,371	115,248

In the current year, the capital commitments relates to the cost of implementation of the Harvest Enterprise Resource Planning (ERP) software and other related costs. The capital commitments in the previous year related to the proposed warehouse at Kamundu estate – Kiambu and Mombasa and acquisition of tea blending and packaging machinery.

32. CASH AND CASH EQUIVALENTS

	The Group	
	2008	2007
	KShs '000	KShs '000
Cash and bank short term deposit	370,113	46,732
Bank overdraft	(4,122)	(48,144)
	365,991	(1,412)

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:

i) Purchase of goods and services	The Group	
	2008	2007
	KShs '000	KShs '000
Ryce East Africa Limited	1,594	3,838
Ryce Engineering Limited	338	4
Yana Tyre Centre Limited	887	-
Sameer Investments Limited	3,030	3,535
Sameer Management Limited	301	88
Zain Kenya Limited (formerly Celtel Kenya Limited)	1,685	1,069
Dimension Data Solutions Limited	42	169
Yansam Motors Limited	-	263
Sameer Africa Limited	-	541
Swift Global Kenya Limited	773	643
	8,650	10,150

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 SEPTEMBER 2008

33. RELATED PARTY TRANSACTIONS (continued)

	The Group	
	2008	2007
	KShs '000	KShs '000
ii) Key management compensation	55,469	40,243
iii) Staff costs		
Salaries and wages	82,340	76,905
Staff leave accruals	1,434	3,735
Pension costs-defined contribution scheme	5,565	4,835
National Social Security Fund	328	440
	89,667	85,915

34. CONTINGENT LIABILITIES

	The Group		The Company	
	2008	2007	2008	2007
	KShs '000	KShs '000	KShs '000	KShs '000
Bank guarantees	15,214	15,564	4,864	4,314
Coffee Board of Kenya guarantee	73,140	67,076	73,140	67,076
Total liabilities under guarantee	88,354	82,640	78,004	71,390

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents, receivables and payables. These instruments arise directly from its operations. The Group does not speculate or trade in derivative financial instruments.

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk, liquidity risk and operational risk. The directors review and agree policies for managing these risks.

The board of directors has overall responsibility for the establishment and oversight of the company's risk management framework. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance.

Risk management is carried out by the management under policies approved by the board of directors. Management identifies, evaluates and manages financial risks in close co-operation with various departmental heads. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of non derivative financial instruments and investment of excess liquidity.

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 SEPTEMBER 2008

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

MARKET RISK

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The objective of market risk management is to manage and control market risk exposure within acceptable levels, while optimizing on the return on the risk.

i) Interest rate risk

Interest rate risk is the risk that the future profitability and/or cash flows of financial instruments will fluctuate because of changes in the market interest rates.

The company's policy is to manage its interest costs by relying primarily on overdraft facilities with its bankers. The Group has issued a 5 year bond amounting to KShs 600 million at a fixed interest rate. All other borrowings for specific projects or investments are negotiated on the basis of a fixed rate of interest. The Group is therefore not exposed to interest rate risk.

The interest movement in the financial asset is negligible and any sensitivity analysis on these instruments would not be representative of the inherent risks associated with the instruments.

ii Foreign exchange risk

Foreign exchange risk arises from future investment transactions and recognized assets and liabilities. The company's policy is to records transactions in foreign currencies at the rate in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange in effect at the balance sheet date. All gains or losses on changes in currency exchange rates are accounted for in the income statement.

The Group operates wholly within Kenya and its assets and liabilities are reported in local currency. Whilst coffee auctions transactions and bank balances are in foreign currency, the company converts its foreign currency proceeds within reasonable time to mitigate foreign currency variations and had no significant foreign currency exposure as at 30 September 2008. In light of this, the directors are of the opinion that any sensitivity analysis with respect to the foreign exchange exposure would be unrepresentative.

iii) Price risk

Price risk arises from the fluctuation in the prices of the commodities that the Group deals in. Sale and purchase prices are determined by the market forces and other factors that are not within the control of the Group. The Group does not anticipate that tea, coffee and milk prices will decline significantly in the foreseeable future and therefore has not entered into derivative or other contracts to manage the risk of a decline in the prices. The Group reviews its outlook for tea, coffee and milk prices regularly in considering the need for active financial risk management.

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 SEPTEMBER 2008

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

CREDIT RISK

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The largest concentrations of credit exposure within the company arises from deposits held with various service providers, prepayments, term deposits and cash and cash equivalents held with banks. The Group only places significant amounts of funds with recognized financial institutions with strong credit ratings and does not consider the credit risk exposure to be significant.

A significant proportion of the Group's trading is through established auctions for coffee, tea and a small proportion via direct export contracts with known parties. The receivables are collected within a period of less than one month. Therefore the Group's exposure to credit risk is, therefore, minimal.

LIQUIDITY RISK

Liquidity risk is the risk that the Group will encounter difficulties in meeting its obligations from its financial liabilities. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group's management maintains flexibility in funding by maintaining availability under committed credit lines.

The maturity analysis of the Group's financial liabilities is as follows:

	0-1 month KShs '000	1-3 months KShs '000	3-12 months KShs '000	Over 1 year KShs '000	Total KShs '000
Bank loan	270	810	2,155	4,550	7,785
Post employment benefits	-	-	13,824	143,575	157,399
Trade and other payables	-	329,627	-	-	329,627
Notes in issue	-	-	-	600,000	600,000
Bank overdraft	4,122	-	-	-	4,122
	4,392	330,437	15,979	748,125	1,098,933

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 SEPTEMBER 2008

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

OPERATIONAL RISK

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the company's processes, personnel, technology and infrastructure and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the company's operations.

The company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity

The primary responsibility for the development and implementation of controls to address operational risk is assigned to management. This responsibility is supported by the development of overall company's standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorisation of transactions.
- Requirements for the reconciliation and monitoring of transactions.
- Compliance with regulatory and other legal requirements.
- Documentation of controls and procedures.
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified.
- Requirement for the reporting of operational losses and proposed remedial action.
- Development of contingency plans.
- Training and professional development.
- Ethical and business standards.
- Risk mitigation, including insurance where this is effective.

The company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

36. CAPITAL MANAGEMENT

The primary objectives of the Group's capital management are to ensure that the Group complies with capital requirements and maintains healthy capital ratios in order to support its business and to maximize shareholders' value.

The Group maintains an actively managed capital base to cover risks inherent in the business. The impact of the level of capital on company' return is also recognized and the Group recognizes the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

37. FAIR VALUES

In the opinion of the directors, the carrying values of the Group's financial assets and liabilities on the balance sheet approximate their fair values.

38. EMPLOYEES

The average number of employees for the Group during the year was 5,614 (2007: 5,339).

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 SEPTEMBER 2008

39. COMPARATIVES

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

40. INCORPORATION

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

FIVE YEAR COMPARATIVE STATEMENTS

	2008	2007	2006	2005	2004
PRODUCTION AND SALES STATISTICS					
TEA					
Area - Hectares	1,437	1,437	1,437	1,437	1,417
Production - Tonnes	7,657	9,941	8,285	7,355	8,736
Sales - Tonnes	7,682	10,221	7,806	7,534	8,576
Sales proceeds - KShs / Kg	122.65	94.79	114.14	86.13	100.51
COFFEE					
Area - Hectares	912	912	912	912	912
Production - Tonnes	1,112	1,302	969	1,235	1,026
Sales - Tonnes	1,132	1,182	940	1,298	1,205
Sales proceeds - KShs '000 / tonne	244	200	202	199	141

RESULTS

	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
TURNOVER	1,455,575	1,325,354	1,268,959	931,567	1,039,639
Gains / (losses) arising from changes in fair value less estimated point of sale costs	1,302,454	(8,892)	226,309	(469,260)	965,498
Profit / (loss) before taxation and minority interests	1,266,406	(70,723)	349,493	(524,894)	1,104,137
Taxation	(381,202)	29,971	(109,168)	158,998	(327,473)
Profit / (loss) after taxation before minority interests	885,204	(40,752)	240,325	(365,896)	776,664
Minority interest	(9,541)	7,181	(3,587)	(20,698)	(5,502)
Profit / (loss) attributable to the members	875,663	(33,571)	236,738	(386,594)	771,162
Dividends	-	-	(38,009)	-	(95,023)
Retained (loss)/ profit for the year transferred to reserves	875,663	(33,571)	198,729	(386,594)	676,139

FIVE YEAR COMPARATIVE STATEMENTS (continued)

CAPITAL EMPLOYED

	30 Sept 2008	30 Sept 2007	30 Sept 2006	30 Sept 2005	30 Sept 2004
	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
Property, plant and equipment	1,941,955	713,406	672,744	672,709	685,454
Intangible assets	2,368	3,010	4,516	6,022	-
Goodwill	-	80	80	80	-
Biological assets	3,838,529	2,522,939	2,512,301	2,277,588	2,732,955
Prepaid leases- leasehold land	21,598	13,733	13,766	13,799	13,832
Capital work in progress	14,013	18,251	38,443	7,872	10,035
Other Investments	6,045	27,016	6,938	6,932	6,913
Net current assets	610,575	266,630	285,863	227,124	348,337
	6,435,083	3,565,065	3,534,651	3,212,126	3,797,526

FINANCED BY

Share capital	228,055	228,055	190,046	190,046	190,046
Reserves	4,367,379	2,640,094	2,708,900	2,507,379	2,891,017
Minority interests	121,871	86,483	93,521	89,791	68,946
Proposed dividend	-	-	38,009	-	57,014
Shareholders' funds	4,717,305	2,954,632	3,030,476	2,787,216	3,207,023
Deferred tax	969,653	465,435	504,175	424,910	590,503
Bank loan	4,550	7,784	-	-	-
Notes in issue	600,000	-	-	-	-
Post employment benefit obligations	143,575	137,214	-	-	-
	6,435,083	3,565,065	3,534,651	3,212,126	3,797,526

RATIOS

Earnings / (loss) per share	3.84	(0.15)	1.04	(10.17)	20.29
Dividend per share	-	-	1.00	-	2.50
Dividend cover (times covered)	-	-	6.23	-	8.12
Capital employed per share	30.41	15.10	93.00	84.51	99.91

Form of Proxy / Fomu ya Uwakilishi

I/We ______________________________

of ______________________________

being a member/members of Sasini Limited, do hereby

appoint ______________________________

____

or failing him/her ______________________________

the duly appointed Chairman of the meeting to be my/our Proxy, to vote for me/us at the Annual General Meeting of the Company to be held at Kamundu Estate , Kiambu, Kenya on Thursday 26th February 2009 and at any adjournment thereof.

As witness my/our hand(s) this ______________

day of ______________________ 2009

Signature ______________________

Notes:

- To be valid, this proxy must be deposited at the Registered Office of the Company not less than 48 hours before the time appointed for holding the meeting.
- If the appointer is a corporation, the proxy must be executed under its common seal or under the hand of an officer or attorney duly authorized in writing.

Mimi/Sisi ______________________________

wa ______________________________

nikiwa/tukiwa mwanachama/wanachama wa Sasini Limited, namchagua/twamchagua

____

____

au akikosa yeye ______________________________

Mwenyekiti aliyechaguliwa wa mkutano kuwa kama mwakilishi wangu/wetu, kupiga kura kwa niaba yangu/yetu kwenye mkutano mkuu wa mwaka wa Kampuni utakaofanyika katika Shamba la Kamundu, Kiambu, Kenya, siku ya Alhamisi, 26 Februari 2009 na kwenye uahirishwaji wake wowote.

Kama ushahidi wangu/wetu hii siku ya ______________

mwezi wa ______________________ 2009

Sahihi ______________________

Maelezo:

- Ili kuwa halali, fomu hii ya uakilishi lazima ifikishwe kwenye afisi aliyoandikishwa ya Kampuni kwa muda usiopungua masaa arobaini na nane kabla ya wakati uliochaguliwa wa kufanya mkutano.
- Ikiwa mwanachama ni shirika, uwakilishi uwe kwenye muhuri wa kawaida au kwa idhini ya afisaa au mwanasheria alioidhinishwa kwa maandishi.

FOLD 2

AFFIX
STAMP
HERE

FOLD 1

THE COMPANY SECRETARY
SASINI LIMITED
P. O. BOX 30151
00100 GPO
NAIROBI
KENYA

Sasini

FOLD 3

INSERT FLAP INSIDE