

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2010

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COMPANY INFORMATION FOR THE YEAR ENDED 30 SEPTEMBER 2010

Directors

| | |
|---|---------------------|
| Dr. J. B. McFie, (MBS), PhD | - Chairman |
| Dr M.J.C Mwangi, PhD | - Managing Director |
| N. N. Merali, (CBS) | |
| I. A. Timamy, CPS (Kenya) | |
| A. H. Butt, CPA (Kenya), FCCA | |
| P. W. Muthoka, (MBS), BA (Hons), MA, FKIB, FKIM | |
| S. N. Merali, MSc | |
| M. J. Ernest*, BA (Hons), FCA | *British |
| Mrs. L. W. Waithaka, MSc, | |

Secretary

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

Advocates

Shapley Barret & Company
P.O. Box 402B6 - 00100
NAIROBI

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

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

Registered Office and Principal Place of Business

Sasini House
Loita Street
P.O. Box 30151 - 00100
NAIROBI

Telephone

(254-020) 342166/71/72

Mobile

0722 200706, 0734 200706

E-mail

info@sasini.co.ke

Website

www.sasini.co.ke

Auditors

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

Bankers

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

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

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

Kenya Commercial Bank Limited
Kiambu Branch
P.O. Box 81
KIAMBU

Standard Chartered Bank Kenya Limited
Kiambu Branch
P.O. Box 117-00900
KIAMBU

UBA Kenya Bank Limited
1st floor, Apollo Centre
Ring Road, Vale Close Westlands
P.O. Box 34154 -00100
NAIROBI

BOARD OF DIRECTORS



Dr. James B. McFie, (MBS)
Chairman



Mr. Naushad N. Merall
(CBS)



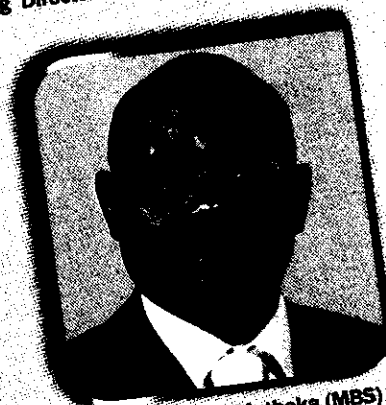
Dr. Caesar M.J. Mwangi
Managing Director



Mr. Akif H. Butt



Mr. Issa A. Timany



Mr. Peter W. Muthoka (MBS)



Mr. Sameer N. Merall



Mr. Martin J. Ernest



Mrs. Lucy W. Walthaka

SENIOR MANAGEMENT



Dr. Caesar M. J. Mwangi
Managing Director



Mr. James Murlithi Kieu
General Manager - Coffee Operations



Mr. Samuel Kanga Odalo
Group Financial Controller



Mr. Shashidhar Menon
General Manager - Tea operations



Mrs. Mary Rebecca Ekaya
Company Secretary



Mr. Francis Kinyua Karimi
Sales & Marketing Manager -
Retail Division



Ms. Priscah Muthoni Keah
Human Resource &
Administration Manager

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 59th ANNUAL GENERAL MEETING of the members will be held at Kamundu Estate, Kiambu, on Friday, 4th March 2011, at 11.30 a.m, for the following purposes:

1. To confirm the minutes of the 58th Annual General Meeting held on 25th February 2010.
2. To receive, consider and if deemed fit, adopt the annual financial statements for the year ended 30th September 2010 together with the reports thereon of the Directors and of the Auditors.
3. To confirm the interim dividend of 20% paid on 15th June 2010 and to declare a final dividend of 30%.
4. To elect the following Directors:
 - I. Mr. N.N. Merali, a Director retiring by rotation, who being eligible, offers himself for re-election.
 - II. Mr. A.H Butt, a Director retiring by rotation, who being eligible, offers himself for re-election.
 - III. Mr. I.A. Timamy, a Director retiring by rotation, who being eligible, offers himself for re-election.
 - IV. Mr. S.N. Meraili, a Director retiring by rotation, who being eligible, offers himself for re-election.
 - V. Mr. 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 herself for re-election.
 - VIII. Mr. P.W. Muthoka, a Director retiring by rotation, who being eligible, offers himself for re-election.
5. To confirm the Directors' emoluments.
6. To appoint Ernst and Young as Auditors for the ensuing year and authorize the Directors to fix their remuneration.
7. To transact any other business which may be transacted at an Annual General Meeting.

By order of the Board



Mrs. Mary R. Ekaya
Company Secretary

Nairobi
7 December 2010

Notes.

- * A member entitled to attend and vote at this meeting may appoint a proxy to attend and vote on his/her behalf, and such a proxy need not be a member of the Company.
- * The form of proxy is enclosed.

ILANI YA MKUTANO

Ilani inatolewa hapa kuwa Mkutano Mkuu wa kila Mwaka wa hamsini na tisa (59) wa wanachama utafanyika katika shamba la Kamundu, Kiambu, Ijumaa, tarehe 4 Machi 2011, saa tano na nusu asubuhi kwa madhumuni yafuatayo:

1. Kuthibitisha matokeo ya Mkutano Mkuu wa hamsini na nane (58) ullofanyika tarehe 25 Februari 2010.
2. Kupokea, kuchunguza na ikionekana sawa kuidhinisha taarifa za kifedha za mwaka uliomalizikia tarehe 30 Septemba 2010, pamoja na taarifa za wakurugenzi na wakaguzi wa hesabu kuhusiana na hesabu hizo.
3. Kuthibitisha mgao wa faida wa muda wa asilimia 20 uliolipwa tarehe 15 Juni 2010 na kutangaza mgao wa mwisho wa faida wa asilimia 30.
4. Kuwachagua wakurugenzi wafuatao:
 - (i) Bw. N.N.Merali, Mkurugenzi anayestaafu kwa zamu, ambaye kwa kuwa ana haki ya kuchaguliwa, anajitolea kuchaguliwa tena.
 - (ii) Bw. A.H.Butt, Mkurugenzi anayestaafu kwa zamu, ambaye kwa kuwa ana haki ya kuchaguliwa, anajitolea kuchaguliwa tena.
 - (iii) Bw. I.A.Timamy, Mkurugenzi anayestaafu kwa zamu, ambaye kwa kuwa ana haki ya kuchaguliwa, anajitolea kuchaguliwa tena.
 - (iv) Bw. S.N.Merali, Mkurugenzi anayestaafu kwa zamu, ambaye kwa kuwa ana haki ya kuchaguliwa, anajitolea kuchaguliwa tena.
 - (v) Bw. 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) Bw. P.W. Muthoka, Mkurugenzi anayestaafu kwa zamu, ambaye kwa kuwa ana haki ya kuchaguliwa, anajitolea kuchaguliwa tena.
5. Kuidhinisha malipo ya Wakurugenzi.
6. Kuwachagua Ernst & Young kama wakaguzi wa hesabu wa mwaka unaofuata na kuwapa wakurugenzi idhini ya kuamua ujira wao.
7. Kushughulikia jambo lingine lolote linaloweza kushughulikiwa katika Mkutano Mkuu wa kila Mwaka.

Kwa Amri ya Halmashauri



Bi. Mary R. Ekaya
Katibu wa Kampuni

Nairobi
7 Desemba 2010

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 mwana chama wa Kampuni.
- * Fomu ya uwakilishi imeshikanishwa.

CHAIRMAN'S STATEMENT

Economy

The year 2009/10 can generally be considered to be a better year for the business community worldwide. During the previous period, the world experienced the effects of a global economic crisis which significantly affected advanced economies of the west and to a lesser degree most economies in the world. This crisis resulted in a slowing down of economic growth during the period and this growth was further expected to fall to 0.5% in 2009/2010.ⁱ

At this time last year, the outlook for the future was fairly uncertain and no one could accurately predict the timing and pace of recovery. Fortunately, the global recovery has evolved better than expected, but in many economies the strength of the rebound has been moderate given the severity of the recession. In 2010, world output is expected to rise by about 4.25% with Sub Saharan Africa projected to grow at 4.7%ⁱ. This represents an upward revision of 1 percentage point from the October 2009 World Economic Outlook (WEO) forecast.

Many emerging economies have resumed a high rate of growth in 2010 and recovery has been stronger than expected as confidence picked up among consumers and businesses as well as in financial markets. Emerging and developing economies as a whole are expected to have grown by 6.3% in 2010. This category of economies includes the high performing economies of India and China which are expected to have grown by 8.8% and 10%, respectively. Sub Saharan Africa also falls within this category of emerging economies and is projected to have grown at 4.7%. This is more than two times the growth in 2009 which stood at 2.1%.

The positive growth trends globally and in Sub-Saharan Africa have also been mirrored in Kenya's economic performance. The economy registered a real GDP growth of 2.6% in 2009 compared with growth of 1.7% in 2008, reflecting recovery from the effects of the post election violence of January 2008. The growth momentum in the economy was sustained in the first two quarters of 2010 with growth rates equivalent to 4.8% (revised) and 5.4% in Quarter one and Quarter two, respectively.ⁱ It is predicted that in 2010, Kenya will have registered a growth rate of between 4.9% and 5.3% and 2011 growth rate is projected to hit 6%.^{iv} The World Bank suggests that this new wave of robust economic growth is driven by several factors which include: the telecommunications revolution, the promulgation of the new Constitution, the East Africa Community Integration process, strong macroeconomic management and investment in public infrastructure.

The economic growth can also be related to the recovery efforts instituted by the Kenya Government in 2008 and 2009 which were aimed at returning the country to the path to recovery. The recovery initiatives included the implementation of the Economic Stimulus Program from July 2009 which aimed at increasing expenditure on Education, Health and Infrastructure. It does appear that indeed the recovery efforts are bearing fruit.

Over the last twelve months, overall 12-month inflation more than halved, falling from 6.7% in September 2009 to 3.2% in September 2010. The decline was largely reflected in food prices and the cost of communication.^v In the Agriculture sector, the trends were positive during 2010.

Tea Board statistics for the 9 months to 30 September 2010 indicate the following key trends:

- 38% increase in production compared to the same period of the previous year.
- Improvement in average tea prices in the current nine month period to September 2010 at the Mombasa auction with an average price of US\$ 2.76 per kg compared to US\$ 2.64 per kg in the same period last year.
- Increase in volumes of tea exported during 2010 compared to 2009. Up to the month of September 2010, Kenya exported 336.6 Million Kgs of tea, compared to 256.7 Million Kgs exported during the same period of 2009.
- The cumulative local tea consumption up to the end of the month of September 2010 stood at 13.5 Million Kgs which was comparable to the quantity recorded within the same period of last year.^{vi}

CHAIRMAN'S STATEMENT (Continued)

In relation to Coffee, the following national statistics released by the Coffee Board reflect the general trends experienced in the country:

- ♦ Kenyan farmers earned KShs 16 billion in the year ended 30 September 2010 as compared to KShs 10.7 billion in the previous year which was a 49% increase in earnings;
- ♦ There has been an upward trend in prices at the Nairobi Coffee Exchange with prices rising from US\$ 3.09/ kg in 2008/09 season to US\$ 4.73/kg in 2009/10 which was a 53% increase;
- ♦ There has been a general decline in coffee produced nationally from 57,336 tons in 2008/09 to 42,096 tons in 2009/10. This is partly due to the rising allure of development of real estate especially in the environs of Nairobi City.

Company Performance

Overview

In the Financial Year ended 30 September 2010, the Company recorded an impressive performance and an improvement on the previous year's return to profitability.

The Company ended the year with an operating profit after tax of KShs. 352.5 million compared to an operating profit after tax of KShs 137.2 million in the previous financial year. This represented a 156% increase in profits after tax.

Tea Production

Production levels of tea across the country improved due to increased rainfall in tea growing areas. The country recorded a 38% increase in production during the 10 months to 30 September 2010 made up of a 28% increase in production West of the Rift Valley and a 59% increase East of the Rift Valley. The significant increase in production East of the Rift Valley was mainly due to the greater impact of the previous year's drought in the region.

In relation to our Company's tea production during the year under review stood at 9.17 million Kgs compared to 9.33 million Kgs of made tea in the previous year. Of the total production for the year from our tea operations at Kipkebe Limited, 70% was derived from green leaf from our own estates, whilst the remaining 30% was produced from green leaf from our regular outgrowers.

Tea sales for the year were 9.25 Million Kgs compared to the 9.32 Million Kgs achieved during the previous year. Of the total quantity of tea sold during the year, 96% was sold through the auctions in Mombasa, with the remaining 4% sold directly through private treaty contracts. The average price realisation per kilogram was KShs. 170 compared with KShs.147 in the previous year. This improved price realization was due to under supply of tea at the auctions as a result of the increased demand and the good quality grades of our teas.

The cost of production rose marginally in the year under review to KShs. 110.70 per kilogram compared with KShs. 110.17 per kilogram in 2009. The increase is mainly attributable to the continued increase in costs of labour whose impact was contained through cost management measures. In the face of the challenging operating environment, costs within our tea operations continued to be well managed and monitored very closely during the financial year and efforts to reduce the redundant costs where possible were prioritized.

Coffee Production

During the year, the Company's coffee operations produced 1,106 tonnes of coffee compared with 1,362 tonnes in 2009. The drop in production was largely due to the effects of the drought in 2009.

Sales during the year were 1,114 tonnes compared with 1,527 tonnes in 2009. The average price realization during the year increased to KShs.392 per kilogram compared with KShs. 262 in 2009.

The Coffee sector also experienced an increase in operating costs due to the same factors that affected the tea

CHAIRMAN'S STATEMENT (Continued)

sector namely costs of power, fuel and farm inputs. Despite the drop in production compared to the previous year, good quality coffees were produced as indicated by the increase in the price realization per kilogram.

The Company continues to mill and market its own and outgrowers' coffee. In this regard, the company implemented its coffee mill expansion project to enhance capacity and storage. The mill continued to improve upon its profitability in the current financial year.

Dairy and Horticulture

The Company's dairy and horticultural operations performance bore the brunt of the dry weather conditions but maintained resilience and posted marginal profits during the year.

Sasini and the agricultural sector in general continue to experience the negative effects of high input costs for farm inputs, energy, and labour. Unpredictable weather patterns and fluctuating exchange rates remain the other risk factors to our core business of growing and processing of tea and coffee.

Strategic Initiatives progress

The initiatives espoused in Sasini Vision 2012, among them, quality improvement, diversification and scaling up the value chain have been firmly entrenched into the operational structures of the Company.

The Company continued to implement its diversification strategy during the year with increased throughput in the coffee milling operations. Following the enhancement of capacity and storage, the Company's milling operations processed 11,993 tonnes of parchment coffee that produced 8,498 tonnes of clean coffee. The coffee mill and the allied marketing activity made a positive contribution to the bottom line.

The "SAVANNA" lifestyle coffee lounges continued with the expansion of its stable with the opening of two more outlets in Nairobi. The first was opened in the Central Business District along Kenyatta Avenue and the other at the Jomo Kenyatta International Airport departure lounge. This segment of operations is expected to continue to generate growing returns for the Company.

The value added retail products, namely, tea and coffee still remain critical to the Company and have been well received in the local market. The prospects of export of bulk tea and coffee look promising and the company continues to enhance its marketing efforts in this regard. We are confident that with the appropriate mix of resources this activity will make even bigger contribution to Sasini's bottom line in future.

As mentioned in my last year's statement these initiatives require considerable investment and a fairly long gestation period but the long term potential is favourable.

The Company redeemed the five year fixed rate loan notes outstanding at 30 September 2010 for Kshs 540 million in December 2010. This was necessary in order to reduce financing costs as current interest rates have fallen well below the coupon rate. The redemption was funded by KShs 300 million from Sasini's own funds and KShs 240 million refinanced at a more favourable interest rate.

Global Credit Rating Company has upgraded Sasini's rating to A1-(previously A2) for the short term and A- (previously BBB+) for the long term.

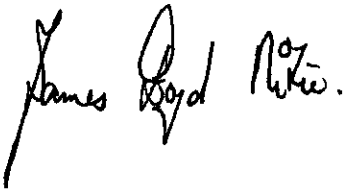
I would reiterate that as a Board we are unable to accurately speculate on the trends in the foreign exchange market, weather conditions and international commodity prices. We are however cautiously optimistic and confident that as we implement our diversification strategy, the company will increasingly be insulated from factors beyond managements' control and generate more predictable results in the medium and long term.

CHAIRMAN'S STATEMENT (Continued)

Acknowledgement

On behalf of the Board, I wish to thank all members of the Sasini team for their dedicated service and their achievements in implementing some of the new initiatives in an extremely challenging environment during the year. I am confident, that with continued focus, the efforts will yield rich dividends in the years to come. I also wish to thank my fellow Board Members for their support and commitment as we collectively work towards achieving the Company's objectives in the years ahead.

Finally, may I say a special thank you to the Shareholders for your continued support that you have extended to the Board of Directors. We appreciate your continued endorsement of the Board's initiatives in realizing the Company's full potential.



Dr J B McFie
Chairman

7th December 2010

- i IMF World Economic Outlook 2009
- ii IMF World Economic Outlook 2010
- iii Central Bank of Kenya – September 2010 Monthly Economic Review
- iv World Bank Economic Report, "Kenya at the tipping point", Nov.2010
- v As above
- vi Tea Industry Highlights Report by Tea Board of Kenya, September 2010

TAARIFA YA MWENYEKITI

Uchumi

Mwaka wa 2009/10 unaweza kusemekana kuwa ulikuwa mwaka mzuri kwa jumuiya ya biashara kote ulimwenguni. Katika kipindi kilichotangulia, ulimwengu ulikumbwa na athari za msukosuko wa kiuchumi ambao uliathiri vibaya chumi za nchi za Magharibi na kwa kiasi kidogo chumi nyingi ulimwenguni. Msukosuko huu ulipelekea kupungua kwa ukuaji wa uchumi kipindi hicho na ukuaji wenyewe ulitarajiwa kushuka hadi asilimia 0.5 katika mwaka wa 2009/10ⁱ.

Mwaka uliopita wakati kama huu, hakukuwa na uhakika wa yale yangetokea mbeleni na hakuna mtu angetabiri kwa uhakika wakati na mwendo wa ufufuzi wa uchumi. Kwa bahati nzuri, kufufuka kwa uchumi kote ulimwenguni kumeimarika vizuri kuliko ilivyotarajiwa lakini katika chumi nyingi, kufufuka huku ni wa kadiri kulingana na madhara yailioletwa na msukosuko huo. Katika mwaka wa 2010, uzalishaji kote ulimwenguni unatarajiwa kuongezeka kwa asilimia 4.25 huku ule wa nchi zilizo kusini mwa jangwa la sahara ukikisiwa kuongezeka kwa asilimia 4.7ⁱⁱ. Hii inaonyesha ongezeko la asilimia moja kutokana na ule utabiri wa World Economic Outlook wa Oktoba 2009.

Chumi nyingi zinazoibuka zimeanza kukua kwa kiwango cha juu katika mwaka wa 2010 na kufufuka kwa uchumi kumeimarika kuliko ilivyotarajiwa kwa vile imani ilirejea miongoni mwa watumiaji, wafanyabiashara na masoko ya fedha. Chumi zinazoibuka na zile zinazokua zinatarajiwa kuongezeka kwa asilimia 6.3 katika mwaka wa 2010 na chumi za kitengo hiki zinahusisha zile chumi za India na China ambazo zinatarajiwa kuongezeka kwa asilimia 8.8 na 10, mtawalia. Chumi za nchi zilizo Kusini mwa jangwa la Sahara zimo katika kitengo hiki cha chumi zinazoibuka na zinakisiwa kuongezeka kwa asilimia 4.7. Hii ni zaidi ya mara mbili ya ongezeko la mwaka wa 2009 ambao ilikuwa asilimia 2.1.

Kukua kwa uchumi ulimwenguni na katika nchi zilizo Kusini mwa jangwa la Sahara kumeonekana katika uchumi wa Kenya. Uchumi uliongezeka katika Jumla ya Pato la Taifa kwa asilimia 2.6 katika mwaka wa 2009 ikilinganishwa na ongezeko la asilimia 1.7 katika mwaka wa 2008. Kukua huku kunaonyesha nafuu iliyopatikana kutokana na athari za ghasia za baada ya uchaguzi mnamo Januari mwaka wa 2008. Kasi ya ukuaji wa uchumi ilidhibitiwa katika robo-mbili za kwanza za mwaka wa 2010 kukiwa na ongezeko la asilimia 4.8 (iliyopitiwa upya) na asilimia 5.4 katika robo ya kwanza na robo ya pili, mtawalia. Inatabiriwa kwamba katika mwaka wa 2010, Kenya itapata ongezeko kati ya asilimia 4.9 na 5.3 na katika mwaka wa 2010 ongezeko hilo linatarajiwa kufikia asilimia 6^{iv}. Benki ya Dunia inadokeza kwamba, ukuaji huu wa uchumi unachangiwa na mambo mengi yakiwemo: mageuzi ya kimawasiliano, kuidhinishwa rasmi kwa katiba mpya, muungano wa Jumuiya ya Afrika Mashariki, usimamizi mzuri wa uchumi na uwekezaji katika miundomsingi ya umma.

Ukuaji wa uchumi unaweza kuhusishwa na juhudi za kufufua zilizowekwa na serikali ya Kenya katika mwaka wa 2008 na 2009 ambazo zilinua kurudisha nchi kwenye ufufuo huo. Mikakati ya ufufuo huo ilihusisha utekelezaji wa mpango wa kuinua uchumi kuanzia Julai mwaka wa 2009 ambao ulinua kuongeza gharama katika sekta ya Elimu, Afya na Miundomsingi. inaonekana kwamba juhudi hizi za ufufuo zimezaa matunda.

Kwa miezi kumi na miwili iliyopita, mfumko wa bei ulishuka zaidi ya nusu kutoka asilimia 6.7 katika mwezi wa Septemba mwaka wa 2009 hadi asilimia 3.2 katika mwezi wa Septemba mwaka wa 2010. Kupungua huko kulionekana katika bei ya vyakula na gharama ya mawasiliano^v.

Katika sekta ya Kilimo, kulikuwa na ukuaji katika mwaka wa 2010.

Takwimu za Haimashauri ya Majani chai kwa miezi 9 hadi tarehe 30, Septemba 2010 zinaonyesha mielekeo ifuatayo:

- Ongezeko la asilimia 38 katika uzalishaji ikilinganishwa na kipindi kama hicho katika mwaka uliotangulia.
- Kuimarika kwa bei ya majani chai kwa kipindi cha sasa cha miezi tisa hadi Septemba 2010 katika soko la mnada la Mombasa kwa bei ya Dola 2.76 kwa kilo moja ikilinganishwa na Dola 2.64 kwa kilo moja katika kipindi sawa na hicho mwaka uliotangulia.
- Ongezeko la majani chai yaliyouzwa nje ya nchi katika mwaka wa 2010 ikilinganishwa na mwaka wa

TAARIFA YA MWENYEKITI

2009. Kufikia mwezi wa Septemba 2010, Kenya ilikuwa imeuza nje kiwango cha kilo milioni 336.6 za majani chai ikilinganishwa na kilo milioni 256.7 za majani chai katika mwaka wa 2009.

- Matumizi ya majani chai humu nchini hadi mwezi wa Septemba 2010 yalikuwa kilo milioni 13.5 ikilinganishwa na kiasi kilichotumika mwaka uliopita^{vi}.

Kwa kulinganisha na kahawa, takwimu zifuatazo za kitaifa zilizotolewa na Halmashauri ya kahawa zinaonyesha mielekeo iliyoshuhudiwa humu nchini:

- Wakulima wa kahawa walipata shilingi bilioni 16 kufikia tarehe 30 Septemba 2010 ikilinganishwa na shilingi bilioni 10.7 katika mwaka uliotangulia. Hii ilikuwa asilimia 49 ya ongezeko la mapato;
- Kumekuwa na mwelekeo wa ongezeko la bei katika soko la Nairobi Coffee Exchange huku bei zikipanda kutoka Dola 3.09 kwa kilo moja katika mwaka wa 2008 / 09 hadi Dola 4.73 kwa kilo moja katika mwaka wa 2009/10. Hili lilikuwa ongezeko la asilimia 53;
- Kiwango cha kuzalisha kahawa kilishuka kutoka tani elfu 53,336 katika mwaka wa 2008/09 hadi tani elfu 42, 096 katika mwaka wa 2009/10. Hii ni kwa sababu ya kuongezeka kwa majengo ya kuishi hasa katika maeneo yanayozingira jiji la Nairobi.

Utendaji wa Kampuni

Maelezo ya jumla

Katika mwaka wa matumizi ya pesa ulioisha tarehe 30, Septemba 2010, Kampuni ilifanya vyema kwa kupata faida kuliko mwaka uliotangulia.

Kampuni ilimaliza mwaka kwa faida ya shilingi milioni 352.5 baada ya kulipa ushuru ikilinganishwa na faida ya shilingi milioni 137.2 katika mwaka uliotangulia. Hili ni ongezeko la faida kwa asilimia 156 baada ya kulipa ushuru.

Uzalishaji wa Majani Chai

Viwango vya uzalishaji wa majani chai kote nchini villimarika kwa sababu ya ongezeko la mvua katika maeneo yanayokuza majani chai. Nchi ilipata ongezeko la asilimia 38 katika uzalishaji katika kipindi cha miezo 10 hadi, Septemba 30, 2010 (kutoka Desemba 2009 hadi Septemba 2010) jumla ya ongezeko la asilimia 28 Magharibi mwa Bonde la Ufa na asilimia 59 Mashariki mwa Bonde la Ufa. Ongezeko la uzalishaji Mashariki mwa Bonde la Ufa linatokana na athari za ukame wa mwaka jana katika eneo hilo.

Kuhusu uzalishaji wa Kampuni yetu, uzalishaji wa majani chai katika mwaka wa 2010 ulifikia kilo milioni 9.17 ikilinganishwa na kilo milioni 9.33 za majani chai zilizozalishwa mwaka uliotangulia. Kutokana na uzalishaji wa kijumla wa mwaka kutoka Kampuni ya Kipkebe, asilimia 70 ilitoka mashamba yetu na asilimia 30 iliyosalia ilizalishwa kutoka mashamba ya wengine.

Mauzo ya majani chai ya mwaka wa 2010 pia yaliongezeka hadi kilo milioni 9.24 ikilinganishwa na kilo milioni 9.32 zilizouzwa mwaka uliotangulia. Kwa mauzo yote ya majani chai ya mwaka huu, asilimia 96 yaliuzwa kupitia masoko ya mnada huko Mombasa, huku asilimia 4 ya majani chai yaliuzwa moja kwa moja kupitia kandarasi. Bei ya wastani ya kilo moja ilikuwa shilingi 170 ikilinganishwa na shilingi 147 katika mwaka uliotangulia. Kuimarika huku kwa bei kulitokana na kiwango cha majani chai kupunguzwa katika masoko ya mnada kwa sababu ya ongezeko la matumizi na ubora wa viwango vya majani chai yetu.

Gharama ya uzalishaji ilipanda kidogo sana katika mwaka wa 2010 hadi shilingi 110.70 kwa kilo moja ikilinganishwa na shilingi 110.17 kwa kilo moja katika mwaka wa 2009. Ongezeko hilo lilitokana na kupanda kwa gharama ya nguzu kazi. Tulidhibiti hali hii kwa mikakati mizuri ya utumiaji wa pesa. Ingawa kulikuwa na changamoto hizi, gharama katika shughuli za uzalishaji majani chai ziliendelea kudhibitiwa na kuangaliwa kwa makini katika mwaka wa 2010. Juhudi za kupunguza gharama zizizo muhimu zilipewa kipaumbele.

TAARIFA YA MWENYEKITI

Uzalishaji wa Kahawa

Katika mwaka wa 2010, kampuni ilizalisha tani elfu 1,106 za kahawa ikilinganishwa na tani elfu 1,362 katika mwaka wa 2009. Kiwango kilishuka kwa sababu ya athari za ukame wa mwaka wa 2009.

Mauzo ya kahawa mwaka wa 2010 yalikuwa tani elfu 1,114 ikilinganishwa na tani elfu 1,527 katika mwaka wa 2009. Bei ya wastani katika mwaka wa 2010 iliongezeka hadi shilingi 392 kwa kila tani moja ikilinganishwa na shilingi 262 kwa kila tani moja katika mwaka wa 2009.

Sekta ya Kahawa ilishuhudia ongezeko la gharama za uzalishaji kwa sababu kama zile zilizokumba sekta ya majani chai kama vile : gharama za umeme, mafuta na pembejeo. Sekta hii iliathiriwa na ukame wa 2009 na athari zake zilijitokeza mwaka wa 2010. Ingawa kiwango cha uzalishaji kilipungua ikilinganishwa na mwaka uliotangulia, kahawa ya kiwango kizuri ilizalishwa kutokana na ongezeko la bei iliyopatikana kwa kila kilo moja.

Kampuni inaendelea kusaga na kuuza kahawa yake na ya watu wengine. Kwa sababu hiyo, kampuni ilitekeleza mradi wake wa kupanua mitambo ya kusaga na kuhifadhi kahawa. Kampuni iliendelea kupata faida katika mwaka huu wa matumizi ya pesa.

Uzalishaji wa Maziwa na Kilimo cha Bustani

Shughuli za kampuni za kuzalisha maziwa na zile za mboga na matunda ziliathiriwa mno na kiangazi lakini kulikuwa faida ya kiwango cha chini mwaka wa 2010.

Kampuni ya Sasini na sekta ya ukulima kwa jumla zinaendelea kuathiriwa na kupanda kwa gharama za pembejeo, kawi na nguvu kazi. Hali za hewa zizotabirika na kupanda na kushuka kwa ubadilishanaji wa fedha za kigeni ni mambo yanayotudhuru katika shughuli yetu ya kukuza na kutengeneza majani chai na Kahawa.

Maendeleo ya Mikakati na Malengo ya Kufanya Kazi

Malengo yaliyoanishwa katika Ruwaza ya Sasini ya mwaka wa 2012, yakiwemo kuimarisha ubora wa bidhaa, kufungua miradi mballmbali ya biashara na kuwa bora katika biashara yamewekwa imara katika miundo ya kufanya kazi ya kampuni.

Kampuni ya Sasini iliendelea kutekeleza mkakati wake wa kupanua biashara mwaka wa 2010 kwa kuongeza idadi ya watu, vifaa na kazi katika shughuli za kusaga kahawa. Kufuatia kupanuliwa uwezo wa vifaa na kuhifadhi, shughuli za kampuni za kusaga kahawa zilikausha kahawa tani elfu 11,993 ambazo zilizalisha kahawa safi tani elfu 8,498. Kinu cha kusaga kahawa na shughuli za uuzaji zilichangia pakubwa.

Kupanuliwa kwa kumbi za kahawa za "SAVANNA" kuliendelea huku zingine mbili zikifunguliwa mjini Nairobi. Ukumbi wa kwanza ulifunguliwa katikati mwa jiji katika barabara ya Kenyatta Avenue na mwingine ukafunguliwa katika Uwanja wa Ndege wa Kimataifa wa Jomo Kenyatta katika mahali pa kuondokea. Shughuli hizi zitaendelea ili kuongezea kampuni mapato.

Bidhaa zilizoongezwa thamani yaani majani chai na kahawa ni muhimu kwa kampuni na zimepokelewa vyema katika masoko ya humu nchini.

Matumaini ya uuzaji wa kiasi kikubwa cha majani chai na kahawa katika masoko ya nje ya nchi yapo na kampuni inaendelea kufanya juhudi zake za uuzaji ili kufikia lengo hilo. Tuna Imani kuwa kwa kuchanganya rasilmali vizuri, kitendo hiki kitaleta manufaa makubwa kwa kampuni ya Sasini katika siku zijazo.

Kama nilivyotaja katika taarifa yangu ya mwaka ullopita, malengo haya yanahitaji uwekezaji mkubwa na muda mrefu

TAARIFA YA MWENYEKITI

wa kuzaa matokeo mazuri lakini mwishowe hali nzuri itapatikana.

Kampuni iko tayari kukomboa kiasi kilichobaki cha kiasi kilichowekwa cha miaka mitano cha noti za shilingi milioni 540 katika mwezi wa Desemba mwaka wa 2010. Ilikuwa muhimu kufanya hivyo ili kupunguza gharama za matumizi kwa sababu kiasi cha riba cha sasa kilipungua chini ya kile cha kawaida. Ukombozi huo ulifanywa kwa shilingi milioni 300 za Kampuni ya Sasini na shilingi milioni 240 kwa kiasi cha riba nafuu.

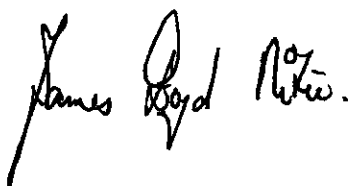
Kampuni ya Global Credit Rating imekadiria Sasini viwango vya juu vya A1- (awali A2) kwa kipindi cha muda mfupi na A- (awali BBB+) kwa kipindi cha muda mrefu.

Ninasisitiza ya kwamba sisi kama Halmashari hatuwezi kukisia mielekeo ya soko la ubadilishanaji wa fedha za kigeni, hali za hewa na bei za bidhaa kimataifa. Hata hivyo, tuna imani kuwa jinsi tunavyotekeleza mkakati wetu wa upanuzi, kampuni itaendelea kukingwa na madhara yaliyo nje ya uwezo wa kampuni na iendelee kuzalisha matokeo ya kutabirika katika kipindi cha muda mfupi na muda mrefu ujao.

Shukrani

Kwa niaba ya Halmashauri, ningependa kuwashukuru wanachama wote wa Sasini kwa juhudi zao na mafanikio katika kutekeleza malengo mapya katika mazingira yaliyokuwa na changamoto nyingi mwaka huu. Ninaamini kuwa tukiendelea hivi, juhudi hizi zitazaa matokeo mazuri katika miaka ijayo. Ningependa pia kuwashukuru wanachama wenzangu wa Halmashauri hii kwa kuunga mkono na kujitolea kikamilifu ili tufanye kazi pamoja ili kutimiza malengo ya kampuni katika miaka ijayo.

Mwisho kabisa, ntoa shukrani kwa wanahisa kwa kuiunga mkono Halmashauri ya Wakurugenzi. Tunatambua kuidhinisha kwenu shughuli za Halmashauri hii ili kupata uwezo kamili wa kampuni.

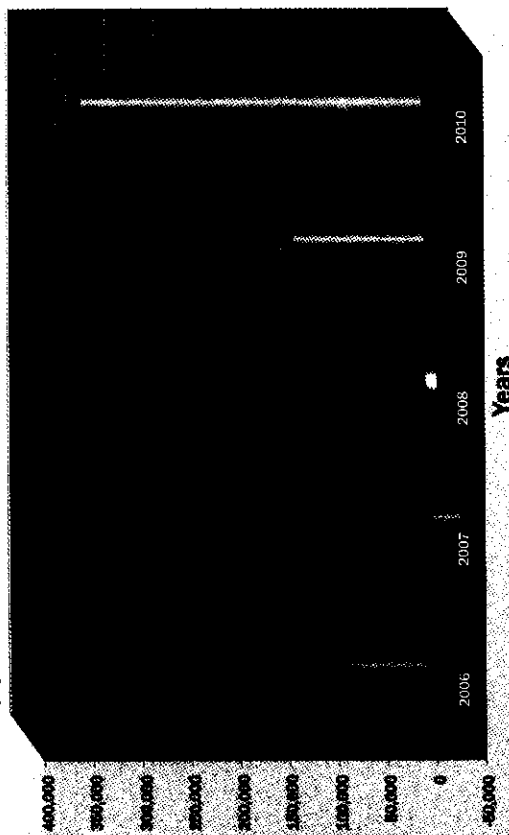


Dkt. J. B. McFie
Mwenyekiti

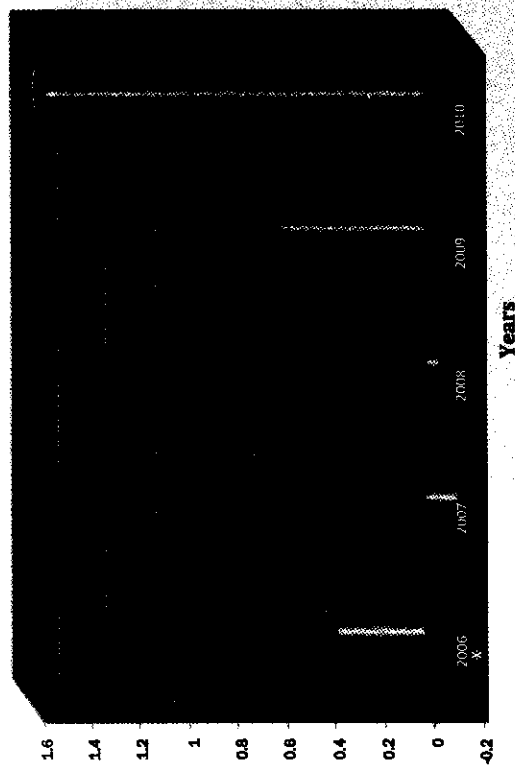
7 Desemba 2010

GRAPHICAL HIGHLIGHTS

Profit/(Loss) arising from operating activities (Kshs '000)

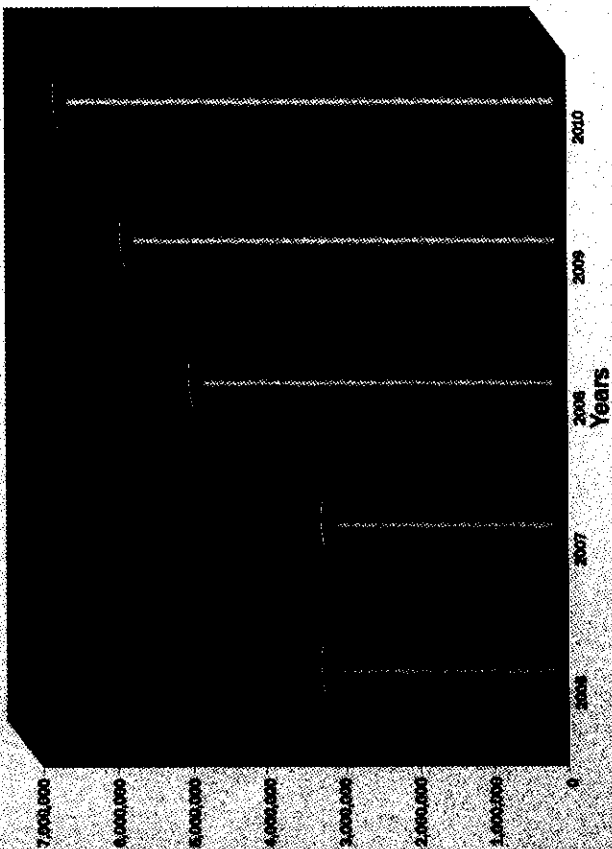


Earnings/(Loss) per share on operating activities (Kshs)

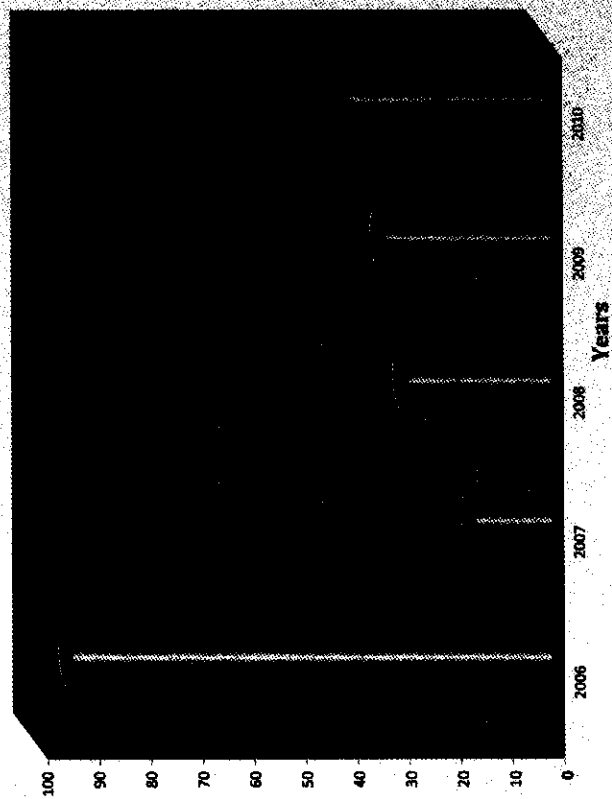


* Adjusted for bonus issue and share split

Shareholders' funds (Kshs '000)



Capital employed per share (Kshs)



SALIENT FEATURES AND FINANCIAL CALENDAR

| | 2010 KShs '000 | 2009 KShs '000 |
|--|-------------------------|-------------------------|
| REVENUE | <u>2,297,927</u> | <u>2,182,090</u> |
| Profit arising from operating activities after tax | 352,553 | 137,206 |
| Gain arising from changes in fair value of biological assets after tax | <u>628,354</u> | <u>388,820</u> |
| Profit attributable to the members after tax | <u>980,907</u> | <u>526,026</u> |
| Total Equity | <u>6,529,382</u> | <u>5,661,822</u> |

DIVIDEND

An interim dividend of KShs 45,611,100 representing KShs 0.20 (20%) per share was paid during the year. The directors recommend payment of a final dividend of KShs 68,416,650 representing KShs 0.30 (30%) per share in respect of the year ended 30 September 2010.

STATISTICS

The statistics below relating to the Group's tea and coffee activities give a comparison of the performance achieved in the last two years. A five year comparative statement is given on pages 80 to 81.

| | | TEA | | COFFEE | |
|-------------------------------|----------|-------|-------|--------|-------|
| | | 2010 | 2009 | 2010 | 2009 |
| Area | Hectares | 1,437 | 1,437 | 912 | 912 |
| Production | Tonnes | 9,166 | 9,326 | 1,106 | 1,362 |
| Sales | Tonnes | 9,249 | 9,323 | 1,114 | 1,527 |
| Average selling price: | | | | | |
| Tea | KShs/Kg | 170 | 147 | - | - |
| Coffee | KShs /Kg | - | - | 392 | 262 |

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 SEPTEMBER 2010

The Directors have pleasure in presenting their report and the audited financial statements for the year ended 30 September 2010 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 addition of related products, forestry, dairy operations, livestock and horticulture.

GROUP RESULTS AND DIVIDENDS

| | 2010 KShs'000 | 2009 KShs'000 |
|--|------------------|------------------|
| Profit arising from operating activities | <u>352,553</u> | <u>137,206</u> |
| Dividends | | |
| Paid: Interim 20% (KShs 0.20) : 2009 (20%) | (45,611) | (45,611) |
| Proposed: Final 30% (KShs 0.30) : 2009 (20%) | <u>(68,417)</u> | <u>(45,611)</u> |
| | <u>(114,028)</u> | <u>(91,222)</u> |

EQUITY AND RESERVES

The authorised and issued share capital of the Company at 30 September 2010 and matters relating thereto are set out in note 13 to the financial statements.

Full details of the Group and Company reserves and movements therein during the year are shown on pages 33 and 34 and note 14.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment are shown in note 4 to the financial statements.

DIRECTORS

Details of the Board of Directors are set out on page 3.

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

SUBSTANTIAL SHAREHOLDINGS

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

| | Shareholding % | |
|-------------------------------|----------------|-------|
| | 2010 | 2009 |
| Legend Investments Limited | 41.84 | 41.84 |
| Yana Towers Limited | 12.13 | 12.13 |
| East Africa Batteries Limited | 7.62 | 7.05 |

REPORT OF THE DIRECTORS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2010

DIRECTORS' INTERESTS

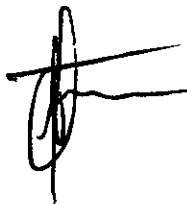
Directors' interests in the shares of the Company as at 30 September 2010 were as follows:

| Name of Director | No. of Shares |
|-------------------------|----------------------|
| Mr. P. W. Muthoka | 53,800 |
| Mr. A. H. Butt | 10,300 |
| Dr. M.J.C. Mwangi | 86,600 |

AUDITORS

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

By order of the Board



Mrs. Mary R. Ekaya
Company Secretary

Nairobi

7 December 2010

RIPOTI YA WAKURUGENZI

Wakurugenzi wanafuraha kuwakilisha ripoti yao ya mwaka na taarifa za hesabu zilizokaguliwa za mwaka ulioishia tarehe 30 Septemba 2010 zinazoonyesha hali lilivyo 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, mifugo na kilimo cha bustani.

MATOKEO YA KUNDI NA MGAO WA FAIDA

| | 2010 Kshs '000 | 2009 Kshs '000 |
|--|-------------------|-------------------|
| Faida inayotokana na kuendesha shughuli | <u>352,553</u> | <u>137,206</u> |
| Mgao wa Faida | | |
| Uliolipwa: Mgao wa Muda Asilimia 20 (Kshs 0.20) : 2009 (asilimia 20) | (45,611) | (45,611) |
| Unaopendekezwa: Mgao wa Mwisho Asilimia 30 (Kshs 0.30) : 2009 (asilimia 20) | <u>(68,417)</u> | <u>(45,611)</u> |
| | <u>(114,028)</u> | <u>(91,222)</u> |

RASILIMALI YA HISA NA AKIBA

Rasilimali ya hisa za Kampuni zilizodhinishwa na kutolewa kufikia tarehe 30 Septemba 2010 na mambo yanayohusiana nazo yanaonyeshwa kwenye tanbihi 13 ya taarifa za kifedha.

Maelezo kamili ya Kundi na akiba ya Kampuni na mienendo yake katika mwaka yameonyeshwa katika kurasa 33 na 34 na tanbihi 14.

MALI, MTAMBO NA VIFAA

Maelezo ya mienendo ya mali, mtambo na vifaa yanaonyeshwa katika tanbihi 4 ya taarifa za kifedha.

WAKURUGENZI

Maelezo ya Halmashauri ya Wakurugenzi yanaonyeshwa katika ukurasa wa 3.

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

RIPOTI YA WAKURUGENZI

UMILIKAJI WA HISA NYINGI

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

Umilikaji wa hisa %

| | 2010 | 2009 |
|--------------------------------|-------|-------|
| Legend Investment Limited | 41.84 | 41.84 |
| Yana Towers Limited | 12.13 | 12.13 |
| East African Batteries Limited | 7.62 | 7.05 |

USHIRIKA WA WAKURUGENZI

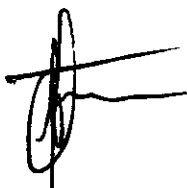
Ushirika wa wakurugenzi katika hisa za Kampuni kufikia tarehe 30 Septemba 2010 ni kama ufuatao:

| Jina la Mkurugenzi | Idadi ya Hisa |
|--------------------|---------------|
| Bw.P.W.Muthoka | 53,800 |
| Bw.A.H.Butt | 10,300 |
| Dkt. M.J.C. Mwangi | 86,600 |

WAKAGUZI

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

Kwa Amri ya Halmashauri



BI. Mary R. Ekaya
Katibu wa Kampuni

Nairobi
7 Desemba 2010

CORPORATE GOVERNANCE

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 stakeholders.

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 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 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 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 Board Sub-Committees where applicable, and to the management.

The Board has three committees all of which are guided by clear terms of reference. The committees are instrumental in monitoring Group operations, conduct of business, 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.

Remuneration and Nominations Committee

This Committee's remit is to review, or conduct or authorize investigations into any matter relating to, staff remuneration, motivation, morale and development; devise and maintain a clear, rigorous and transparent process

CORPORATE GOVERNANCE (continued)

for bringing new Directors on to the Board, and for appointing Directors to Board Committees, subject to approval by the full Board.

The members of the Committee are all independent non executive Directors and professionals who by reason of education or experience possess such degree of expertise as required to oversee the human capital development of the Company.

The Committee meets at least four times in a year.

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 2010 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.

CORPORATE GOVERNANCE (continued)

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 its 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

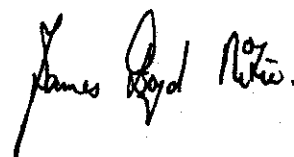
The Directors confirm that the Group has adequate resources to continue in business for the foreseeable future and therefore to continue to use the going concern basis when preparing the financial statements.

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

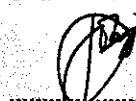
The ten largest shareholders of the Company as at 30 September 2010 were as follows:

| | | | |
|----|--|------------|-------|
| 1 | Legend Investments Limited | 95,417,345 | 41.84 |
| 2 | Yana Towers Limited | 27,673,340 | 12.13 |
| 3 | East Africa Batteries Ltd. | 17,373,600 | 7.62 |
| 4 | Gulamali Ismail | 9,079,200 | 3.98 |
| 5 | Karim Jamal | 5,873,858 | 2.58 |
| 6 | CFC Stanbic Nominees Kenya Ltd- A/C R48701 | 5,400,060 | 2.37 |
| 7 | Shardaben Vithaldas Morjaria | 2,111,780 | 0.93 |
| 8 | Joseph Schwartzman | 1,971,000 | 0.86 |
| 9 | A-Z Transporters Limited | 1,869,000 | 0.82 |
| 10 | Swani Coffee Estate Limited | 1,637,270 | 0.72 |

| | | | |
|-------------------|--------------------|--------------|---------------|
| Less than 500 | 553,357 | 2,670 | 0.24 |
| 500 - 5,000 | 6,927,815 | 4,353 | 3.04 |
| 5,001 - 10,000 | 3,924,089 | 528 | 1.72 |
| 10,001 - 100,000 | 18,920,901 | 666 | 8.30 |
| 100,001-1,000,000 | 23,537,845 | 96 | 10.32 |
| Above 1,000,000 | <u>174,191,493</u> | <u>14</u> | <u>76.38</u> |
| Total | <u>228,055,500</u> | <u>8,327</u> | <u>100.00</u> |



Dr. J. B. McFie
Chairman



Dr. M. J. C. Mwangi
Managing Director

7 December 2010

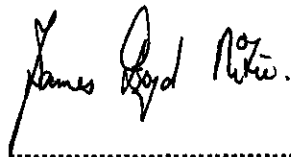
STATEMENT OF DIRECTORS' RESPONSIBILITIES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2010

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 and Company for that year. It also requires the Directors to ensure the Company keeps proper accounting records which disclose with reasonable accuracy the financial position of the Group. They are also responsible for designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. The Directors are also responsible for safeguarding the assets of the Group and Company.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Group and Company and of the Group and Company operating results.

The Directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Company and its subsidiaries will not remain a going concern for at least the next twelve months from the date of this statement.

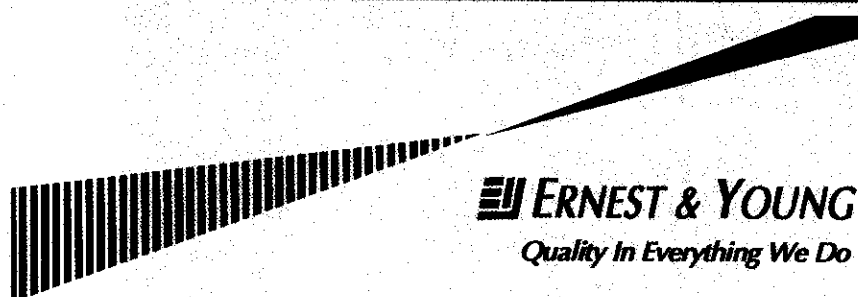


.....
Dr. J. B. McFle
Chairman



.....
Dr. M.J.C Mwangi
Managing Director

7 December 2010



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

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www.ey.com / easternafrica

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

Report On the Financial Statements

We have audited the accompanying financial statements of Sasini Limited and subsidiaries, set out on pages 27 to 79, which comprise the consolidated statement of financial position as at 30 September 2010 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, together with the statement of financial position of the Company as at 30 September 2010, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows 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.

Other Offices: Nairobi, Mombasa
C.A. Oloo, P.M. Kamau, G.G. Karuu J.K.C. Cheboror, A.S. Ghani,
P.N. Anchieta, G.O. Akinda, H.C. Wasika, G.S. Sentooh, G. Ghazi



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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 2010 and of the results of the Group and the Company and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Kenyan Companies Act.

Report on Other Legal Requirements

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

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

Ernst & Young
Certified Public Accountants (Kenya)

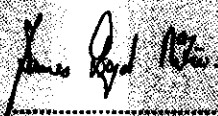
Nairobi

7 December 2010

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2010

| | Note | 2010 KShs'000 | 2009 KShs'000 |
|-------------------------------------|------|------------------|------------------|
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 4(a) | 2,433,720 | 2,435,962 |
| Capital work-in-progress | 4(c) | 6,392 | 78,573 |
| Goodwill | 8 | 39,403 | - |
| Other Intangible assets | 5 | 39,791 | 718 |
| Biological assets | 6(a) | 5,327,235 | 4,416,277 |
| Prepaid leases on leasehold land | 7 | 21,038 | 21,463 |
| Other investments | 9 | 4,229 | 4,229 |
| | | <u>7,871,808</u> | <u>6,957,222</u> |
| CURRENT ASSETS | | | |
| Inventories | 10 | 278,757 | 219,259 |
| Trade and other receivables | 11 | 319,040 | 271,411 |
| Amounts due from related company | 12 | 3,451 | 1,695 |
| Cash and bank balances | 31 | 626,408 | 548,646 |
| | | <u>1,227,656</u> | <u>1,041,011</u> |
| | | <u>9,099,464</u> | <u>7,998,233</u> |
| EQUITY AND LIABILITIES | | | |
| Equity attributable to owners | | | |
| Share capital | 13 | 228,055 | 228,055 |
| Non - distributable reserves | 14 | 5,181,084 | 4,674,983 |
| Retained earnings | 14 | 983,504 | 627,261 |
| | | <u>6,392,643</u> | <u>5,530,299</u> |
| Non-controlling interest | 14 | 136,739 | 131,523 |
| TOTAL EQUITY | | <u>6,529,382</u> | <u>5,661,822</u> |
| NON-CURRENT LIABILITIES | | | |
| Deferred tax | 15 | 1,444,349 | 1,223,823 |
| Bank loan | 16 | - | 1,315 |
| Post employment benefits | 17 | 186,688 | 163,912 |
| Loan Notes | 19 | 420,000 | 540,000 |
| | | <u>2,051,037</u> | <u>1,929,050</u> |
| CURRENT LIABILITIES | | | |
| Post employment benefits | 17 | 11,040 | 10,795 |
| Tax payable | 18 | 2,854 | 46,955 |
| Trade and other payables | 20 | 367,504 | 268,164 |
| Provisions | 21 | 12,692 | 14,254 |
| Bank overdraft | 22 | 4,955 | 3,958 |
| Bank loan | 16 | - | 3,235 |
| Loan Notes | 19 | 120,000 | 60,000 |
| | | <u>519,045</u> | <u>407,361</u> |
| TOTAL EQUITY AND LIABILITIES | | <u>9,099,464</u> | <u>7,998,233</u> |

The financial statements were approved by the Board of Directors on 7 December 2010 and signed on its behalf by:



Dr. J. B. McFie
Chairman

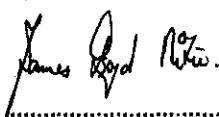


Dr. M.J.C. Mwangi
Managing Director

**COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2010**

| | Note | 2010 KShs'000 | 2009 KShs'000 |
|---------------------------------------|------|------------------|------------------|
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 4(b) | 1,570,572 | 1,532,231 |
| Capital work-in-progress | 4(c) | - | 68,328 |
| Intangible assets | 5 | 13,943 | - |
| Biological assets | 6(b) | 1,430,134 | 1,018,258 |
| Prepaid leases on leasehold land | 7 | 8,266 | 8,391 |
| Investment in subsidiary companies | 8 | 172,697 | 72,697 |
| | | <u>3,195,612</u> | <u>2,699,905</u> |
| CURRENT ASSETS | | | |
| Inventories | 10 | 85,128 | 58,913 |
| Trade and other receivables | 11 | 116,885 | 108,261 |
| Amounts due from subsidiary companies | 12 | 40,592 | 39,411 |
| Amounts due from related company | 12 | 1,618 | 1,695 |
| Tax recoverable | 18 | 25,546 | 19,746 |
| Cash and bank balances | 31 | 369,284 | 295,591 |
| | | <u>639,053</u> | <u>523,617</u> |
| TOTAL ASSETS | | <u>3,834,665</u> | <u>3,223,522</u> |
| EQUITY AND LIABILITIES | | | |
| EQUITY AND RESERVES | | | |
| Share capital | 13 | 228,055 | 228,055 |
| Non - distributable reserves | 14 | 2,114,168 | 1,844,180 |
| Retained earnings | 14 | 277,472 | 80,613 |
| TOTAL EQUITY | | <u>2,619,695</u> | <u>2,152,848</u> |
| NON-CURRENT LIABILITIES | | | |
| Deferred tax | 15 | 425,404 | 294,460 |
| Bank loan | 16 | - | 1,315 |
| Post employment benefits | 17 | 18,510 | 10,995 |
| Loan Notes | 19 | 420,000 | 540,000 |
| | | <u>863,914</u> | <u>846,770</u> |
| CURRENT LIABILITIES | | | |
| Post employment benefits | 17 | 950 | 884 |
| Trade and other payables | 20 | 176,294 | 150,423 |
| Provisions | 21 | 7,432 | 8,914 |
| Amounts due to subsidiary companies | 12 | 46,380 | - |
| Bank overdraft | 22 | - | 448 |
| Bank loan | 16 | - | 3,235 |
| Loan Notes | 19 | 120,000 | 60,000 |
| | | <u>351,056</u> | <u>223,904</u> |
| TOTAL EQUITY AND LIABILITIES | | <u>3,834,665</u> | <u>3,223,522</u> |

The financial statements were approved by the Board of Directors on 7 December 2010 and signed on its behalf by:



Dr. J. B. McFie
Chairman



Dr. M.J.C Mwangi
Managing Director

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2010

| | Note | 2010 KShs'000 | 2009 KShs'000 |
|---|------|------------------|------------------|
| REVENUE | 23 | 2,297,927 | 2,182,090 |
| Gains arising from changes in fair value of biological assets less estimated point of sale costs | 6(a) | 904,832 | 568,992 |
| Cost of Sales | 24 | (1,376,450) | (1,471,493) |
| GROSS PROFIT | | 1,826,309 | 1,279,589 |
| Other income | 25 | 177,192 | 48,495 |
| EXPENSES | | | |
| Administration and establishment expenses | 26 | (563,550) | (513,913) |
| Selling and distribution costs | 27 | (13,427) | (11,297) |
| Interest income | 28 | 27,774 | 28,497 |
| Interest expense | 28 | (71,923) | (71,649) |
| PROFIT BEFORE TAX | 28 | 1,382,375 | 759,722 |
| TAXATION CHARGE | 18 | (388,646) | (226,690) |
| PROFIT FOR THE YEAR | | <u>993,729</u> | <u>533,032</u> |
| PROFIT ATTRIBUTABLE TO: | | | |
| OWNERS OF THE PARENT | | 980,907 | 526,026 |
| NON-CONTROLLING INTERESTS | | <u>12,822</u> | <u>7,006</u> |
| | | <u>993,729</u> | <u>533,032</u> |
| PROFIT ATTRIBUTABLE TO OWNERS OF PARENT MADE UP AS FOLLOWS: | | | |
| PROFIT ARISING FROM OPERATING ACTIVITIES | | 352,553 | 137,206 |
| GAINS ARISING FROM CHANGES IN FAIR VALUE OF BIOLOGICAL ASSETS AFTER TAX | | <u>628,354</u> | <u>388,820</u> |
| | | <u>980,907</u> | <u>526,026</u> |
| EARNINGS PER SHARE (KSHS) | 29 | <u>4.30</u> | <u>2.30</u> |

**CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2010**

| | 2010 KShs'000 | 2009 KShs'000 |
|--|------------------|------------------|
| PROFIT FOR THE YEAR | 993,729 | 533,032 |
| OTHER COMPREHENSIVE INCOME | | |
| Revaluation of property, plant and equipment | 28,818 | 572,217 |
| Deferred tax on revaluation | - | (123,122) |
| OTHER COMPREHENSIVE INCOME AFTER TAX | <u>28,818</u> | <u>449,095</u> |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | <u>1,022,547</u> | <u>982,127</u> |
| TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO: | | |
| OWNERS OF THE PARENT | 959,144 | 980,476 |
| NON-CONTROLLING INTERESTS | <u>63,403</u> | <u>1,651</u> |
| | <u>1,022,547</u> | <u>982,127</u> |

COMPANY INCOME STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2010

| | Note | 2010 KShs'000 | 2009 KShs'000 |
|--|------|------------------|------------------|
| REVENUE | 23 | 564,553 | 597,384 |
| Gains arising from changes in fair value of biological assets less estimated point of sale costs | 6(b) | 409,150 | (74,030) |
| Cost of Sales | 24 | <u>(312,240)</u> | <u>(435,240)</u> |
| GROSS PROFIT | | 661,463 | 88,114 |
| Other income | 25 | 99,846 | 71,119 |
| Dividend received from subsidiary company | | 230,000 | 230,000 |
| EXPENSES | | | |
| Administration and establishment expenses | 26 | (254,220) | (250,179) |
| Interest income | 28 | 8,846 | 26,129 |
| Interest expense | 28 | <u>(56,923)</u> | <u>(67,374)</u> |
| PROFIT BEFORE TAX | 28 | 689,012 | 97,809 |
| TAXATION (CHARGE) / CREDIT | 18 | <u>(137,629)</u> | <u>41,992</u> |
| PROFIT FOR THE YEAR | | <u>551,383</u> | <u>139,801</u> |
| MADE UP AS FOLLOWS: | | | |
| PROFIT ARISING FROM OPERATING ACTIVITIES | | 265,796 | 191,622 |
| GAINS ARISING FROM CHANGES IN FAIR VALUE OF BIOLOGICAL ASSETS AFTER TAX | | <u>285,587</u> | <u>(51,821)</u> |
| | | <u>551,383</u> | <u>139,801</u> |
| EARNINGS PER SHARE (KSHS) | 29 | <u>2.42</u> | <u>0.62</u> |

**COMPANY STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2010**

| | 2010 KShs'000 | 2009 KShs'000 |
|--|------------------|------------------|
| PROFIT FOR THE YEAR | 551,383 | 139,801 |
| OTHER COMPREHENSIVE INCOME | | |
| Revaluation of property, plant and equipment | - | 293,410 |
| Deferred tax on revaluation | <u>6,686</u> | <u>(40,023)</u> |
| OTHER COMPREHENSIVE INCOME AFTER TAX | <u>6,686</u> | <u>253,387</u> |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | <u>558,069</u> | <u>393,188</u> |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2010

| | Share capital KShs'000 | Capital reserve KShs'000 | Revaluation reserve KShs'000 | Biological assets fair value KShs'000 | Retained earnings KShs'000 | Proposed dividends KShs'000 | Total equity attributable to owners KShs'000 | Non controlling Interest KShs'000 | Total equity KShs'000 |
|---|------------------------------|--------------------------------|------------------------------------|--|----------------------------------|-----------------------------------|---|--|-----------------------------|
| At 1 October 2008 | 228,055 | 137,933 | 1,683,029 | 2,066,747 | 479,670 | - | 4,595,434 | 121,872 | 4,717,306 |
| Total comprehensive income for the year | - | - | 454,450 | 388,820 | 137,206 | - | 980,476 | 1,651 | 982,127 |
| Excess depreciation on revaluation | - | - | (55,996) | - | 55,996 | - | - | - | - |
| Contributions by minority shareholders | - | - | - | - | - | - | - | 8,000 | 8,000 |
| Interim 2009 dividend paid | - | - | - | - | (45,611) | - | (45,611) | - | (45,611) |
| Proposed 2009 dividend | - | - | - | - | (45,611) | 45,611 | - | - | - |
| At 30 September 2009 | 228,055 | 137,933 | 2,081,483 | 2,455,567 | 581,650 | 45,611 | 5,530,299 | 131,523 | 5,661,822 |
| At 1 October 2009 | 228,055 | 137,933 | 2,081,483 | 2,455,567 | 581,650 | 45,611 | 5,530,299 | 131,523 | 5,661,822 |
| Total comprehensive income for the year | - | - | (21,763) | 628,354 | 352,553 | - | 959,144 | 63,403 | 1,022,547 |
| Excess depreciation on revaluation | - | - | (97,322) | - | 94,912 | - | (2,410) | 2,410 | - |
| Acquisition of investments | - | - | - | - | - | - | - | (60,597) | (60,597) |
| Release on disposal of assets | - | - | (3,168) | - | - | - | (3,168) | - | (3,168) |
| Final 2009 dividend paid | - | - | - | - | - | (45,611) | (45,611) | - | (45,611) |
| Interim 2010 dividend paid | - | - | - | - | (45,611) | - | (45,611) | - | (45,611) |
| Proposed 2010 dividend | - | - | - | - | (68,417) | 68,417 | - | - | - |
| At 30 September 2010 | 228,055 | 137,933 | 1,959,230 | 3,083,921 | 915,087 | 68,417 | 6,392,643 | 136,739 | 6,529,382 |
| | Note 13 | | Note 14 | Note 14 | Note 14 | | | | |

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CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 SEPTEMBER 2010

| | Note | 2010 KShs'000 | 2009 KShs'000 |
|---|------|------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash flows generated from operations | 30 | 587,779 | 412,191 |
| Income taxes paid | 18 | (183,405) | (59,103) |
| Net cash generated from operating activities | | <u>404,374</u> | <u>353,088</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of property, plant and equipment | 4(a) | (142,046) | (38,620) |
| Capital Work-in-progress | 4(c) | (2,154) | (64,560) |
| Purchase of intangible assets | 5 | - | (341) |
| Biological assets | 6 | (6,126) | (8,756) |
| Interest received | | 27,774 | 28,497 |
| Proceeds on sale of property, plant and equipment | | 84,219 | 1,123 |
| Acquisition of non-controlling interest | 8 | (100,000) | - |
| Net cash used in investing activities | | <u>(138,333)</u> | <u>(82,657)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Interest paid | 28 | (71,923) | (71,649) |
| Repayment of Loan Notes | | (60,000) | - |
| Loan repayments | | (4,550) | (3,235) |
| Contributions from none controlling shareholders | | - | 8,000 |
| Dividends paid on ordinary shares | | (91,222) | (45,611) |
| Net cash used in from financing activities | | <u>(227,695)</u> | <u>(112,495)</u> |
| Net increase in cash and cash equivalents | | 38,346 | 157,936 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | | 544,688 | 365,991 |
| Effect of exchange rates changes | | <u>38,419</u> | <u>20,761</u> |
| CASH AND CASH EQUIVALENTS AS AT THE END OF THE YEAR | 31 | <u>621,453</u> | <u>544,688</u> |

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 SEPTEMBER 2010

| | | 2010 KShs'000 | 2009 KShs'000 |
|---|------|------------------|------------------|
| | Note | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash flows generated from operations | 30 | 587,779 | 412,191 |
| Income taxes paid | 18 | (183,405) | (59,103) |
| Net cash generated from operating activities | | <u>404,374</u> | <u>353,088</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of property, plant and equipment | 4(a) | (142,046) | (38,620) |
| Capital Work-in-progress | 4(c) | (2,154) | (64,560) |
| Purchase of Intangible assets | 5 | - | (341) |
| Biological assets | 6 | (6,126) | (8,756) |
| Interest received | | 27,774 | 28,497 |
| Proceeds on sale of property, plant and equipment | | 84,219 | 1,123 |
| Acquisition of non-controlling interest | 8 | (100,000) | - |
| Net cash used in investing activities | | <u>(138,333)</u> | <u>(82,657)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Interest paid | 28 | (71,923) | (71,649) |
| Repayment of Loan Notes | | (60,000) | - |
| Loan repayments | | (4,550) | (3,235) |
| Contributions from none controlling shareholders | | - | 8,000 |
| Dividends paid on ordinary shares | | (91,222) | (45,611) |
| Net cash used in from financing activities | | <u>(227,695)</u> | <u>(112,495)</u> |
| Net increase in cash and cash equivalents | | 38,346 | 157,936 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | | 544,688 | 365,991 |
| Effect of exchange rates changes | | <u>38,419</u> | <u>20,761</u> |
| CASH AND CASH EQUIVALENTS AS AT THE END OF THE YEAR | 31 | <u>621,453</u> | <u>544,688</u> |

COMPANY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 SEPTEMBER 2010

| | Note | 2010 KShs'000 | 2009 KShs'000 |
|---|------|------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash flows generated from / (used in) operations | 30 | 154,753 | (59,768) |
| Income taxes paid | 18 | <u>(5,800)</u> | <u>(4,610)</u> |
| Net cash generated from / (used in) operating activities | | <u>148,953</u> | <u>(64,378)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of property, plant and equipment | 4(b) | (37,920) | (7,318) |
| Capital Work-in-progress | 4(c) | - | (61,611) |
| Biological assets | 6 | (2,726) | (3,294) |
| Interest received | | 8,846 | 26,129 |
| Proceeds on sale of property, plant and equipment | | 2,466 | 1,123 |
| Acquisition of non-controlling interest | | <u>(100,000)</u> | <u>(11,900)</u> |
| Net cash used in investing activities | | <u>(129,334)</u> | <u>(56,871)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Interest paid | | (56,923) | (67,374) |
| Loan Notes Repayment | | (60,000) | - |
| Loan repayments | | (4,550) | (3,235) |
| Dividend received from subsidiary | | 230,000 | 230,000 |
| Dividend paid on ordinary shares | | <u>(91,222)</u> | <u>(45,611)</u> |
| Net cash generated from financing activities | | <u>17,305</u> | <u>113,780</u> |
| Net increase/(decrease) in cash and cash equivalents | | 36,924 | (7,469) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | | 295,143 | 278,964 |
| Effect of exchange rates changes | | <u>37,217</u> | <u>23,648</u> |
| CASH AND CASH EQUIVALENTS AS AT THE END OF THE YEAR | 31 | <u>369,284</u> | <u>295,143</u> |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2010

1.1 STANDARDS, AMENDMENTS AND INTERPRETATIONS EFFECTIVE IN 2009

The Group has adopted the following new and revised IFRSs which are mandatory for accounting periods beginning on or after 1 July 2009.

- Amendment to IFRS 7 Financial Instruments: Disclosures. The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, reconciliation between the beginning and ending balance for level three fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. Estimated fair value is the amount at which an instrument could be exchanged in a current transaction between willing parties other than enforced or liquidation sale.
- IFRS 8, Operating Segments. This standard requires disclosure of information about the Group's operating segments and replaced the requirement to determine primary (business) and secondary (geographical) reporting segments of the Group. IFRS 8 replaces IAS 14 Segment Reporting upon effective date.
- IAS 1 (Revised 2007), Presentation of Financial Statements. The Standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income, which presents income and expense items recognised in profit or loss, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present comprehensive income in two linked statements and it has not provided a restated comparative set of financial position for the earliest comparative period, as it has not adopted any new accounting policies retrospectively, or has a retrospective restatement, or retrospectively reclassified items in the financial statements.
- IAS 23, Borrowing Costs. The revised IAS 23 requires capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. During the year, there were no borrowings for the acquisition of capital assets.
- IFRS 3, (Revised); Business combinations and IAS 27 (Amended): Consolidated and Separate Financial Statements. The revised standards were issued in January 2008 and become effective for financial years beginning on or after 1 July 2009. IFRS 3R introduces a number of changes in the accounting for business combinations occurring after this date that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. IAS 27R requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to IAS 7 Statement of cash flows, IAS 12 Income Taxes, IAS 21 The Effects of Changes in Foreign Exchange Rates, IAS 28 Investment in Associates and IAS 31 Interests in Joint Ventures. The changes by IFRS 3R and IAS 27R will affect future acquisitions or loss of control and transactions with minority interests: The standards may be early adopted.
- IFRS 1, First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate: This amendment is applicable for reporting periods beginning on or after 1 January 2009. The amendment permits an entity in its separate financial statements, to determine the cost of investments in subsidiaries, jointly controlled entities or associates in their opening IFRS financial statements in accordance with the following: at cost determined in accordance with IAS 27; at the fair value of the investment at the date of transition to IFRS, determined in accordance with IAS 39 Financial Instruments: Recognition and Measurement; or at the previous GAAP carrying amount of the investment at the date of transition to IFRS. IAS 27 was amended and the cost method was removed and it was made clear that all dividends received from subsidiaries, joint ventures and associates are recognised as income when the right to receive the dividend is established and no more separated into pre- and post-acquisition dividends. Upon receipt of dividend, the investor is required to consider the related investment for impairment and a consequential amendment was made to IAS 36 to insert two indicators of impairment when a dividend is received.

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2010

1.1 STANDARDS, AMENDMENTS AND INTERPRETATIONS EFFECTIVE IN 2009 (continued)

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2009, but they are not relevant to the Group's operations:

- IAS 32, Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation-: These amendments to IAS 32 and IAS 1 were issued in February 2008 and became effective for financial years beginning on or after 1 January 2009. The revisions provide a limited scope exception for puttable instruments to be classified as equity if they fulfill a number of specified features. The adoption of these standards had no material impact on the financial position or the performance of the Group.
- IAS 18, Revenue: As part of the second omnibus of amendments to standards issued in April 2009 the Board has added guidance (which accompanies the standard) to determine whether an entity is acting as a principal or as an agent, effective immediately. The features to consider are whether the entity:
 - o Has primary responsibility for providing the goods or service
 - o Has inventory risk
 - o Has discretion in establishing prices
 - o Bears the credit risk

The revenue recognition accounting policy has been updated accordingly.

- IFRS 2, Amendments to IFRS 2 Share-based Payment - Vesting Conditions and Cancellations-: The IASB issued an amendment to IFRS 2 which clarifies the definition of vesting conditions and prescribes the treatment for an award that is cancelled. It also clarified the scope and the accounting for Company cash-settled share-based payment transactions.
- IFRIC 9, Remeasurement of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement (effective for periods ending on or after 30 June 2009) - This amendment to
- IFRIC 9 requires an entity to assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. IAS 39 now states that if an embedded derivative cannot be reliably measured, the entire hybrid instrument must remain classified as at fair value through profit or loss.
- IFRIC 13, Customer Loyalty Programmes-: IFRIC 13 requires customer loyalty credits to be accounted for as a separate component of the sales transaction in which they are granted. A portion of the fair value of the consideration received is allocated to the award credits and deferred. This is then recognised as revenue over the period that the award credits are redeemed.
- IFRIC 15, - Agreements for the construction of real estate-: IFRIC 15 was issued in July 2008 and becomes effective for financial years beginning on or after 1 January 2009. The interpretation is to be applied retrospectively. It clarifies when and how revenue and related expenses from the sale of a real estate unit should be recognised if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. Furthermore, the interpretation provides guidance on how to determine whether an agreement is within the scope of IAS 11 or IAS 18.
- IFRIC 16, Hedges of a net investment in a foreign operation. IFRIC 16 was issued in July 2008 and becomes effective for financial years beginning on or after 1 October 2008. The interpretation is to be applied prospectively. IFRIC 16 provides guidance on the accounting for a hedge of a net investment. As such, it provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of a net investment, where within the Company the hedging instruments can be held in the hedge of a net investment and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment.

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2010

1.1 STANDARDS, AMENDMENTS AND INTERPRETATIONS EFFECTIVE IN 2009 (continued)

- IFRIC 18, Transfers of assets from customers (effective for transfers on or after 1 July 2009). This interpretation provides guidance on how to account for items of property, plant and equipment received from customers or cash that is received and used to acquire or construct specific assets. This interpretation only applies to such assets that are used to connect the customer to a network or to provide ongoing access to a supply of goods or services or both.
- IAS 39, Financial Instruments (effective 1 July 2009): Recognition and measurement – eligible hedged items; The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations.
- IFRIC 17, Distribution of Non-Cash Assets to Owners: This interpretation is effective for annual periods beginning on or after 1 July 2009 with early application permitted. It provides guidance on how to account for non-cash distributions to owners. The interpretation clarifies when to recognise a liability, how to measure it and the associated assets, and when to derecognise the asset and liability.
- IFRS 2, Share-based Payment (effective 1 July 2009); Clarifies that the contribution of a business on formation of a joint venture and combinations under common control are not within the scope of IFRS 2.
- IFRIC 9, Reassessment of Embedded Derivatives (effective 1 July 2009): Does not apply to possible reassessment at the date of acquisition to embedded derivatives in contracts acquired in a combination between entities or businesses under common control or the formation of a joint venture.

Improvements to IFRSs

In May 2008, the IASB issued omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments did not have material impact on the financial position or performance of the Group.

- IFRS 5, Non-current Assets Held for Sale and Discontinued Operations: Clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in IFRS 5. The disclosure requirements of other IFRSs only apply if specifically required for such non-current assets or discontinued operations.
- IFRS 7, Financial Instruments: Disclosures: Removal of the reference to 'total interest income' as a component of finance costs.
- IFRS 8, Operating Segment Information: Clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker.
- IAS 1, Presentation of Financial Statements: Assets and liabilities classified as held for trading in accordance with IAS 39 Financial Instruments: Recognition and Measurement are not automatically classified as current in the statement of financial position.
- IAS 7, Statement of cash flows: Explicitly states that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities.
- IAS 8, Accounting Policies, Change in Accounting Estimates and Errors: Clarification that only implementation guidance that is an integral part of an IFRS is mandatory when selecting accounting policies.
- IAS 10, Events after the Reporting Period: Clarification that dividends declared after the end of the reporting period are not obligations.
- IAS 16, Property, Plant and Equipment: Replaces the term "net selling price" with "fair value less costs to sell". Items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental, are transferred to inventory when rental ceases and they are held for sale.

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2010

1.1 STANDARDS, AMENDMENTS AND INTERPRETATIONS EFFECTIVE IN 2009 (continued)

- IAS 18, Revenue: The amendment replaces the term 'direct costs' with transaction costs as defined in IAS 39.
- IAS 19, Employee Benefits: Revised the definition of 'past service costs', 'return on plan assets' and 'short term' and 'other long-term' employee benefits. Amendments to plans that result in a reduction in benefits related to future services are accounted for as curtailment. Deleted the reference to the recognition of contingent liabilities to ensure consistency with IAS 37. Changes to definitions on return on plan assets, contingent liability and short-term and other long-term benefits are to be applied retrospectively. The change to past service cost definition to be applied prospectively. The amendment had no impact on accounting policy and financial position of the Group
- IAS 20, Accounting for Government Grants and Disclosures of Government Assistance: Loans granted with no or low interest will not be exempt from the requirement to impute interest. Interest is to be imputed on loans granted with below-market interest rates.
- IAS 23, Borrowing Costs: The definition of borrowing costs is revised to consolidate the types of items that are considered components of 'borrowing costs' - that is components of the interest expense calculated using the effective interest rate method.
- IAS 27, Consolidated and Separate Financial Statements: When a parent entity accounts for a subsidiary at fair value in accordance with IAS 39 in its separate financial statements, this treatment continues when the subsidiary is subsequently classified as held for sale.
- IAS 28, Investments in Associates: If an associate is accounted for at fair value through profit or loss, only the requirement of IAS 28 to disclose the nature and extent of any significant restrictions on the ability of the associate to transfer funds to the entity in the form of cash or repayment of loans applies. An investment in an associate is a single asset for the purpose of conducting the impairment test - including any reversal of impairment. Therefore, any impairment is not separately allocated to the goodwill included in the investment balance.
- IAS 29, Financial Reporting in Hyperinflationary Economies: Revises the reference to the exception that assets and liabilities should be measured at historical cost, such that it notes property, plant and equipment as being an example, rather than implying that it is a definitive list.
- IAS 31, Interest in Joint Ventures: If a joint venture is accounted for at fair value, the only disclosure requirements of IAS 31 are those relating to the commitments of the venturer and the joint venture, as well as summary financial information about the assets, liabilities, income and expenses.
- IAS 34, Interim Financial Reporting: Clarifies that earnings per share is disclosed in interim financial reports if an entity is within the scope of IAS 33.
- IAS 36, Impairment of Assets: When discounted cash flows are used to estimate 'fair value less cost to sell', additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate 'value in use'. The amendment clarified that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes.
- IAS 38, Intangible Assets (effective 1 July 2009): If an intangible asset acquired in a business combination is identifiable only with another intangible asset, the acquirer may recognise the group of intangibles as a single asset provided the individual assets have similar useful lives. The valuation techniques presented for determining the fair value of intangible assets acquired in a business combination are only examples and are not restrictive on the methods that can be used. Expenditure on advertising and promotional activities is recognised as an expense when the Company either has the right to access the goods or has received the service. The reference to there being rarely, if ever, persuasive evidence to support an amortisation method of intangible assets other than a straight-line method has been removed.
- IAS 39, Financial Instruments: Recognition and Measurement: Changes in circumstances relating to derivatives - specifically derivatives designated or de-designated as hedging instruments after initial recognition - are not reclassifications. When financial assets are reclassified as a result of an insurance company changing its accounting policy in accordance with paragraph 45 of IFRS 4 Insurance Contracts, this is a change in circumstance, not a reclassification. The standard also requires use of the revised effective interest rate (rather than the original effective interest rate) when remeasuring a debt instrument on the cessation of fair value hedge accounting.

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2010

1.1 STANDARDS, AMENDMENTS AND INTERPRETATIONS EFFECTIVE IN 2009 (continued)

Improvements to IFRSs (continued)

- IAS 40, Investment Properties: Revises the scope to include property that is being constructed or developed for future use as an investment property. Where an entity is unable to determine the fair value of an investment property under construction, but expects to be able to determine its fair value on completion, the investment under construction will be measured at cost until fair value can be determined or construction is complete.
- IAS 41, Agriculture: removes the reference to the use of a pretax discount rate to determine fair value, thereby allowing use of either a pretax or a post tax discount rate depending on the valuation methodology used. The standard removes the prohibition to take into account cash flows resulting from any additional transformations when estimating fair value. Instead, cashflows that are expected to be generated in the most relevant market are taken into account.
- IFRIC 14, Prepayments of a Minimum Funding Requirements (Amendments): IFRIC 14 was amended to remove an unintended consequence arising from the treatment of prepayments of future contributions in some circumstances when there is a minimum funding requirement.

1.2 STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET EFFECTIVE

The Group has chosen not to early adopt the following standards, amendments and interpretations to existing standards that were issued, but not yet effective, for accounting periods beginning on 1 January 2010. The adoption of these standards, amendments and interpretations is expected not to have any significant impact on the Group's financial statements in the period of initial application but additional disclosures will be required.

- IFRS 2, Share based payment (effective 1 January 2010): Company Cash-settled Share-based Payment Transactions. The IASB issued an amendment to IFRS 2 that clarified the scope and the accounting for Company cash-settled share-based payment transactions.
- IFRS 9, Financial Instruments (effective 1 January 2013): Recognition and Measurement sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.
- IAS 24, (Revised) Related Party Disclosure: The revised Standard shall be applied retrospectively for annual periods beginning on or after 1 January 2011.
- IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments: The Interpretation was issued in November 2009 and shall be applied retrospectively for annual periods beginning on or after 1 April 2010. The Interpretation clarifies that equity instruments issued to a creditor to extinguish the liability are "consideration paid" in accordance with IAS 39. As a result, the financial liability is derecognised and the equity instruments issued are treated as consideration paid to extinguish that financial liability. The Interpretation states that equity instruments issued in a debt for equity swap should be measured at the fair value of the equity instruments issued, if this can be determined reliably. If the fair value of the equity instruments issued is not reliably determinable, the equity instruments should be measured by reference to the fair value of the financial liability extinguished as of the date of extinguishment. Any difference between the carrying amount of the financial liability that is extinguished and the fair value of the equity instruments issued is recognised immediately in profit or loss. The resulting gain or loss is disclosed separately on the statement of comprehensive income, or the separate income statement (if presented), or in the notes. This standard will have no effect on the Group's financial statements.
- In April 2009, the IASB issued the second omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments which are effective for periods beginning on or after 1 January 2010 (unless otherwise stated) will not have material impact in the period of initial application but additional disclosures will be required.
- IFRS 5, Non-current Assets Held for Sale and Discontinued Operations: Clarifies that the disclosures required in respect of non-current assets, disposal groups classified as held for sale, or discontinued operations are only those set out in IFRS 5.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2010

1.2 STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET EFFECTIVE (continued)

- IFRS 8, Operating Segments: Segment assets and liabilities need only be reported when those assets and liabilities are included in measures used by the chief operating decision maker
- IAS 1, Presentation of Financial Statements: The terms of a liability that could at any time result in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.
- IAS 7, Statement of cash flows: Only expenditure that results in a recognised asset can be classified as a cash flow from investing activities.
- IAS 17, Leases: The specific guidance on classifying land as a lease has been removed so that only the general guidance remains.
- IAS 36, Impairment of Assets: The largest unit permitted for allocating goodwill acquired in a business combination is the operating segment defined in IFRS 8 before aggregation for reporting purposes.
- IAS 39, Financial Instruments: Recognition and Measurement: A prepayment option is considered closely related to the host contract when the exercise price reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract. The scope exemption for contracts between an acquirer and a vendor in a business combination to buy or sell an acquiree at a future date applies only to binding forward contracts, not derivative contracts where further actions are still to be taken. Gains and losses on cash flow hedges of a forecast transaction that subsequently results in the recognition of a financial instrument or on cash flow hedges of recognised financial instruments should be reclassified in the period that the hedged forecast cash flows affect profit or loss.

FOLD 2

**AFFIX
STAMP
HERE**

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

FOLD 1

Sasini

FOLD 3

INSERT FLAP INSIDE



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
Friday 4th March 2011 and at any adjournment thereof.

As witness my/our hand(s) this.....
day of.....2011

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 Ijumaa tarehe 4 Machi 2011 na kwenye
uahirishwaji wake wowote.

Kama ushahidi wangu/wetu hii siku ya.....
mwezi wa.....2011

Sahihi.....

Maelezo:

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

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2010

2. SIGNIFICANT ACCOUNTING POLICIES

(a) 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 and financial instruments 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 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(e) and 1(f) below on 'critical accounting estimates and assumptions' and 'critical accounting judgements' highlight the areas that involve a higher level of judgement, or where the estimates or assumptions used are significant to the financial statements.

(b) Basis of Consolidation

Basis of consolidation from 30 September 2009

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 September 2010.

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 when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences, recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income
- to profit or loss or retained earnings, as appropriate.

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2010

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of Consolidation (continued)

Basis of consolidation prior to 30 September 2009

Certain of the above-mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

Acquisitions of non-controlling interests, prior to 1 January 2010, were accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.

Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributed to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 30 September 2009 were not reallocated between NCI and the parent shareholders.

Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying values of such investments at 30 September 2009 have not been restated.

(c) Goodwill

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

(d) Investments In Subsidiary Companies

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

(e) Critical Accounting Estimates and Assumptions

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

Biological assets

In determining the fair value of biological assets, the Group uses the present value of expected future cash flows from the assets 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 biological assets in their 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.

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2010

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Critical Accounting Estimates and Assumptions (continued)

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.

The Group measures its property, plant and equipment at revalued amounts with changes in revaluation values being recognized in equity. The Group engages independent valuers to determine fair values of property, plant and equipment. The valuation values are based on the prevailing market prices which are sensitive to economic conditions.

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.

Allowance for impairment

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

(f) Critical Accounting Judgements

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

Allowance for obsolete inventories

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

Going concern

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore the financial statements continue to be prepared on the going concern basis.

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2010

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and value added taxes or other taxes. The following specific criteria must also be met before revenue is recognised:

Revenue from sales of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyers usually on dispatch of the goods.

Revenue from Marketing

Commissions are recognised on completion of the services performed.

Interest income

It is accrued on a time basis, by reference to the principal outstanding and the interest rate applicable.

Rental income

As it accrues unless collectibility is doubtful.

Dividend income

When the shareholder's right to receive payment is established.

(h) Taxation

Current taxation

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date. Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of comprehensive income.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2010

(h) Taxation (continued)

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to revaluation reserves of property, plant and equipment is recognized in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(i) Inventories

Tea and coffee inventories 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 inventory 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.

Agricultural produce is measured at fair value less estimated point of sale costs at the point of harvest. Any changes arising on initial recognition of agricultural produce at fair value less estimated point of sale costs are recognised in the Statement of comprehensive income. The cost of finished goods and work in progress comprise the fair value less estimated point-of-sale costs of agricultural produce at the point of harvest, raw materials, direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs.

(j) Provisions

The major provision outstanding as at the reporting date is the leave pay provision.

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.

(k) 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 statement of comprehensive

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2010

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Property, plant & equipment and depreciation (continued)

income 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

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset original cost. Additionally, accumulated depreciation at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any surplus remaining in the revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Revaluations are done every 5 years to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

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;

| | |
|------------------------------|-------------|
| Buildings and improvements | 12-45 years |
| Plant, machinery and tools | 12.5% p.a |
| Rolling stock | 25.0% p.a |
| Farm implements and trailers | 12.5% p.a |
| Furniture and fittings | 12.5% p.a |
| Computers | 33.3% p.a |

Useful life, residual values and depreciation methods are reviewed on an annual basis.

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the Statement of comprehensive income in the year the item is de-recognised.

The carrying values of the property, plant and equipment are assessed annually and adjusted for impairment where it is considered necessary.

(l) Intangible assets

An intangible asset arises from the purchases of accounting software. Acquired intangible assets are measured on initial recognition at cost.

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. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be finite.

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

(m) Work-in-progress

Work-in-progress represents costs incurred in acquisition/installation of an item of property, plant and equipment which is not in use. Work-in-progress is not depreciated until the assets are completed and brought into use but tested for impairment when there is an indicator for impairment.

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2010

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are recognised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the statement of comprehensive income.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight line basis over the lease term.

Group as a lessor

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

(o) Foreign currency transactions

Monetary assets and liabilities expressed in foreign currencies are translated into Kenya Shillings at the rate of exchange ruling at the reporting 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 Statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

(p) Retirement benefits costs

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

Contributions from the Company, at a rate of 12.5% of the basic salary of each employee, are expensed in the year the services are rendered and paid over to a separate trustee administered fund.

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 Statement of comprehensive income in the year to which they relate.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2010

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) 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 reporting date.

The liability recognised in the statement of financial position 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 statement of comprehensive income.

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

(r) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(s) Biological assets

Biological assets are measured on initial recognition and at each reporting date at fair value less estimated point of sale costs. Any changes to the fair value are recognised in the statement of comprehensive income in the period in which they arise. The fair value net of deferred tax is reserved in equity as a non-distributable reserve

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

(t) 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

(u) Impairment of non financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use.

The asset's recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable 'amount'. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2010

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Impairment of non financial assets (continued)

asset in prior years. Such reversal is recognised in the Statement of comprehensive income unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

(v) 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 categories:

- a. Loans and receivables; and,
- b. Available-for-sale financial assets.

(a) Loans and receivables

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

(b) Available for sale financial 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 bonds, unquoted equity investments, trade and other receivables, bank and cash balances and trade and other payables.

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 Statement of comprehensive income; 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 Statement of comprehensive income. 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 Statement of comprehensive income.
- 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.

(l) 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.

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2010

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Financial Instruments (continued)

(ii) Trade and other receivables

Trade and other receivables are carried at their original invoiced amount less an estimate made for allowances for credit losses based on a review of all outstanding amounts, on an account by account and portfolio basis, at the year end. Allowances for credit losses are written off in the year in which they are identified as irrecoverable.

Allowances for credit losses are made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible. In determining the recoverability of trade receivables, the company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date.

(iii) Cash and cash equivalents

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

Cash and cash equivalents are measured at amortised cost.

(iv) 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.

(v) Borrowings and loans.

Interest bearing loans, overdrafts and bonds 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.

Impairment and uncollectibility of financial assets

The Group assesses at each reporting 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 in the statement of comprehensive income.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2010

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Financial Instruments (continued)

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 statement of comprehensive income even though the financial asset has not been derecognised.

Impairment losses recognised in the statement of comprehensive income 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. 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 statement of comprehensive income.

(w) 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.

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 2010

3. SEGMENT INFORMATION

Segment information is as presented below.

| | Tea KShs '000 | Coffee KShs '000 | Others KShs '000 | Consolidated KShs '000 |
|--|------------------|---------------------|---------------------|---------------------------|
| 30 September 2010 | | | | |
| Revenue | | | | |
| Sales to external customers | 1,509,305 | 399,239 | 389,383 | 2,297,927 |
| Other income | 10,879 | 108,081 | 58,232 | 177,192 |
| | <u>1,520,184</u> | <u>507,320</u> | <u>447,615</u> | <u>2,475,119</u> |
| Results | | | | |
| Operating results on operating activities | 386,340 | 124,925 | 10,428 | 521,693 |
| Operating results on biological assets | 448,896 | 455,936 | - | 904,832 |
| Operating results | <u>835,236</u> | <u>580,861</u> | <u>10,428</u> | <u>1,426,525</u> |
| Assets and liabilities | | | | |
| Segment assets | <u>3,478,994</u> | <u>4,403,382</u> | <u>1,217,088</u> | <u>9,099,464</u> |
| Segment liabilities | <u>1,022,784</u> | <u>1,163,959</u> | <u>383,339</u> | <u>2,570,082</u> |
| Other segment information | | | | |
| Capital expenditure – tangible fixed assets | <u>70,484</u> | <u>11,704</u> | <u>91,154</u> | <u>173,342</u> |
| Depreciation and amortisation of leasehold land and of intangible assets | <u>73,120</u> | <u>47,913</u> | <u>50,961</u> | <u>171,994</u> |
| Average number of employees | <u>2,839</u> | <u>1,055</u> | <u>106</u> | <u>4,000</u> |
| 30 September 2009 | | | | |
| Revenue | | | | |
| Sales to external customers | 1,320,880 | 381,624 | 479,586 | 2,182,090 |
| Other income | 1,530 | 11,071 | 35,894 | 48,495 |
| | <u>1,322,410</u> | <u>392,695</u> | <u>515,480</u> | <u>2,230,585</u> |
| Results | | | | |
| Operating results on operating activities | 242,314 | 27,265 | (35,697) | 233,882 |
| Operating results on biological assets | 603,555 | (34,563) | - | 568,992 |
| Operating results | <u>845,869</u> | <u>(7,298)</u> | <u>(35,697)</u> | <u>802,874</u> |
| Assets and liabilities | | | | |
| Segment assets | <u>3,086,593</u> | <u>3,885,692</u> | <u>1,025,948</u> | <u>7,998,233</u> |
| Segment liabilities | <u>915,896</u> | <u>1,068,126</u> | <u>352,389</u> | <u>2,336,411</u> |
| Other segment information | | | | |
| Capital expenditure – tangible fixed assets | <u>7,316</u> | <u>7,279</u> | <u>32,781</u> | <u>47,376</u> |
| Depreciation and amortisation of leasehold land and intangible assets | <u>52,930</u> | <u>17,220</u> | <u>47,785</u> | <u>117,935</u> |
| Average number of employees | <u>3,411</u> | <u>1,139</u> | <u>104</u> | <u>4,654</u> |

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 SEPTEMBER 2010

3. SEGMENT INFORMATION (continued)

(i) Geographical Information

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.

(ii) 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 2010

4. PROPERTY, PLANT AND EQUIPMENT

a) The Group

Year ended 30 September 2010

| | Land and development | Buildings and improvements | Plant, machinery and tools | Rolling stock and farm implements | Furniture, computers and equipment | Total |
|--------------------------|----------------------------|----------------------------------|----------------------------------|---|---|------------------|
| | KShs'000 | KShs'000 | KShs'000 | KShs'000 | KShs'000 | KShs'000 |
| COST OR VALUATION | | | | | | |
| At start of the year | 1,003,000 | 947,353 | 424,837 | 96,752 | 93,111 | 2,565,053 |
| Additions and transfers | - | 81,419 | 33,844 | 40,183 | 11,770 | 167,216 |
| Disposals | - | (2,619) | - | (7,925) | - | (10,544) |
| At 30 September 2010 | <u>1,003,000</u> | <u>1,026,153</u> | <u>458,681</u> | <u>129,010</u> | <u>104,881</u> | <u>2,721,725</u> |
| Comprising: | | | | | | |
| At cost | - | 251,635 | 143,834 | 63,142 | 89,800 | 548,411 |
| At valuation | <u>1,003,000</u> | <u>774,518</u> | <u>314,847</u> | <u>65,868</u> | <u>15,081</u> | <u>2,173,314</u> |
| | <u>1,003,000</u> | <u>1,026,153</u> | <u>458,681</u> | <u>129,010</u> | <u>104,881</u> | <u>2,721,725</u> |
| DEPRECIATION | | | | | | |
| At start of the year | - | 68,740 | 22,386 | 6,953 | 31,012 | 129,091 |
| Charge for the year | - | 79,266 | 39,327 | 22,322 | 20,748 | 161,663 |
| Disposals | - | (537) | - | (2,212) | - | (2,749) |
| At 30 September 2010 | - | <u>147,469</u> | <u>61,713</u> | <u>27,063</u> | <u>51,760</u> | <u>288,005</u> |
| NET BOOK VALUE | | | | | | |
| At 30 September 2010 | <u>1,003,000</u> | <u>878,684</u> | <u>396,968</u> | <u>101,947</u> | <u>53,121</u> | <u>2,433,720</u> |

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

The Group's plant and equipment was revalued on 30 September 2009 by Lloyd Masika registered valuers, on the market value existing use basis.

The book values of the property, plant and equipment were adjusted to the revaluations and the resultant surplus and deferred tax effect, was recognised in equity as at that date.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 SEPTEMBER 2010

4. PROPERTY, PLANT AND EQUIPMENT (continued)

a) The Group (continued)

Year ended 30 September 2009

| | Land and development | Buildings and improvements | Plant, machinery and tools | Rolling stock and farm implements | Furniture, computers and equipment | Total |
|---------------------------|----------------------------|----------------------------------|----------------------------------|---|---|------------------|
| | KShs'000 | KShs'000 | KShs'000 | KShs'000 | KShs'000 | KShs'000 |
| COST OR VALUATION | | | | | | |
| At start of the year | 843,000 | 860,892 | 537,181 | 195,241 | 126,422 | 2,562,736 |
| Additions and transfers | - | 1,417 | 4,492 | 2,074 | 30,637 | 38,620 |
| Disposals | - | - | - | (3,844) | - | (3,844) |
| Revaluation surplus | 160,000 | 85,044 | (116,836) | (96,719) | (63,948) | (32,459) |
| At 30 September 2009 | <u>1,003,000</u> | <u>947,353</u> | <u>424,837</u> | <u>96,752</u> | <u>93,111</u> | <u>2,565,053</u> |
| Comprising: | | | | | | |
| At cost | - | 170,216 | 109,990 | 22,959 | 78,030 | 381,195 |
| At valuation | <u>1,003,000</u> | <u>777,137</u> | <u>314,847</u> | <u>73,793</u> | <u>15,081</u> | <u>2,183,858</u> |
| | <u>1,003,000</u> | <u>947,353</u> | <u>424,837</u> | <u>96,752</u> | <u>93,111</u> | <u>2,565,053</u> |
| DEPRECIATION | | | | | | |
| At start of the year | - | 2,081 | 384,295 | 153,954 | 80,451 | 620,781 |
| Charge for the year | - | 66,659 | 19,499 | 11,937 | 17,714 | 115,809 |
| Disposals | - | - | - | (2,822) | - | (2,822) |
| Eliminated on revaluation | - | - | (381,408) | (156,116) | (67,153) | (604,677) |
| At 30 September 2009 | - | <u>68,740</u> | <u>22,386</u> | <u>6,953</u> | <u>31,012</u> | <u>129,091</u> |
| NET BOOK VALUE | | | | | | |
| At 30 September 2009 | <u>1,003,000</u> | <u>878,613</u> | <u>402,451</u> | <u>89,799</u> | <u>62,099</u> | <u>2,435,962</u> |

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 SEPTEMBER 2010

4. PROPERTY, PLANT AND EQUIPMENT

b) The Company

Year ended 30 September 2010

| | Land and development | Buildings and improvements | Plant, machinery and tools | Rolling stock and farm implements | Furniture, computers and equipment | Total |
|--------------------------|----------------------------|----------------------------------|----------------------------------|---|---|------------------|
| | KShs'000 | KShs'000 | KShs'000 | KShs'000 | KShs'000 | KShs'000 |
| COST OR VALUATION | | | | | | |
| At start of the year | 842,000 | 498,985 | 170,316 | 46,458 | 18,726 | 1,576,485 |
| Additions and transfers | - | 80,969 | 3,570 | 1,184 | 3,096 | 88,819 |
| Disposals | - | - | - | (4,535) | - | (4,535) |
| At 30 September 2010 | <u>842,000</u> | <u>579,954</u> | <u>173,886</u> | <u>43,107</u> | <u>21,822</u> | <u>1,660,769</u> |
| Comprising: | | | | | | |
| At cost | - | 212,357 | 73,890 | 18,081 | 12,883 | 317,211 |
| At valuation | <u>842,000</u> | <u>367,597</u> | <u>99,996</u> | <u>25,026</u> | <u>8,939</u> | <u>1,343,558</u> |
| | <u>842,000</u> | <u>579,954</u> | <u>173,886</u> | <u>43,107</u> | <u>21,822</u> | <u>1,660,769</u> |
| DEPRECIATION | | | | | | |
| At start of the year | - | 10,265 | 20,038 | 7,683 | 6,269 | 44,255 |
| Charge for the year | - | 23,509 | 11,367 | 7,865 | 5,355 | 48,096 |
| Disposals | - | - | - | (2,154) | - | (2,154) |
| At 30 September 2010 | - | <u>33,774</u> | <u>31,405</u> | <u>13,394</u> | <u>11,624</u> | <u>90,197</u> |
| NET BOOK VALUE | | | | | | |
| At 30 September 2010 | <u>842,000</u> | <u>546,180</u> | <u>142,481</u> | <u>29,713</u> | <u>10,198</u> | <u>1,570,572</u> |

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 SEPTEMBER 2010

4. PROPERTY, PLANT AND EQUIPMENT (continued)

b) The Company (continued)

Year ended 30 September 2009

| | Land and development | Buildings and improvements | Plant, machinery and tools | Rolling stock and farm implements | Furniture, computers and equipment | Total |
|---------------------------|----------------------------|----------------------------------|----------------------------------|---|---|-----------|
| | KShs'000 | KShs'000 | KShs'000 | KShs'000 | KShs'000 | KShs'000 |
| COST OR VALUATION | | | | | | |
| At start of the year | 682,000 | 439,350 | 176,462 | 80,503 | 50,177 | 1,428,492 |
| Additions and transfers | - | 135 | 5,064 | 153 | 1,966 | 7,318 |
| Disposals | - | - | - | (3,844) | - | (3,844) |
| Revaluation surplus | 160,000 | 59,500 | (11,210) | (30,353) | (33,417) | 144,520 |
| At 30 September 2009 | 842,000 | 498,985 | 170,316 | 46,459 | 18,726 | 1,576,486 |
| Comprising | | | | | | |
| At cost | - | 131,388 | 70,320 | 16,897 | 9,787 | 228,392 |
| At valuation | 842,000 | 367,597 | 99,996 | 29,562 | 8,939 | 1,348,094 |
| | 842,000 | 498,985 | 170,316 | 46,459 | 18,726 | 1,576,486 |
| DEPRECIATION | | | | | | |
| At start of the year | - | 1,536 | 70,659 | 59,165 | 33,535 | 164,895 |
| Charge for the year | - | 8,729 | 11,820 | 6,318 | 4,208 | 31,075 |
| Disposals | - | - | - | (2,822) | - | (2,822) |
| Eliminated on revaluation | - | - | (62,439) | (54,980) | (31,474) | (148,893) |
| At 30 September 2009 | - | 10,265 | 20,040 | 7,681 | 6,269 | 44,255 |
| NET BOOK VALUE | | | | | | |
| At 30 September 2009 | 842,000 | 488,720 | 150,276 | 38,778 | 12,457 | 1,532,231 |

(c) Capital Work-In-Progress

| | Group | | Company | |
|---|------------------|------------------|------------------|------------------|
| | 2010 KShs'000 | 2009 KShs'000 | 2010 KShs'000 | 2009 KShs'000 |
| Balance brought forward | 78,573 | 14,013 | 68,328 | 6,717 |
| Additions | 2,154 | 64,560 | - | 61,611 |
| Transfer to property, plant and equipment | (25,170) | - | (50,899) | - |
| Transfer to intangible assets | (49,165) | - | (17,429) | - |
| | 6,392 | 78,573 | - | 68,328 |

Capital work-in-progress is not depreciated.

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2010

5. OTHER INTANGIBLE ASSETS

| | Group | | Company | |
|-------------------------|----------|----------|----------|----------|
| | 2010 | 2009 | 2010 | 2009 |
| | KShs'000 | KShs'000 | KShs'000 | KShs'000 |
| COST | | | | |
| Balance brought forward | 9,014 | 8,771 | - | - |
| Disposals | - | (98) | - | - |
| Additions and transfers | 49,165 | 341 | 17,429 | - |
| At 30 September | 58,179 | 9,014 | 17,429 | - |
| AMORTISATION | | | | |
| Balance brought forward | 8,296 | 6,403 | - | - |
| Charge for the year | 10,092 | 1,991 | 3,486 | - |
| Disposals | - | (98) | - | - |
| At 30 September | 18,388 | 8,296 | 3,486 | - |
| NET BOOK VALUE | | | | |
| At 30 September | 39,791 | 718 | 13,943 | - |

Intangible assets relate to software costs.

6. BIOLOGICAL ASSETS

(a) The Group Year ended 30 September 2010

| | 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 October 2009 | 1,308,501 | 2,760,689 | 332,741 | 1,093 | 13,253 | 4,416,277 |
| Gains / (losses) arising from changes in fair value less estimated point of sale costs | 537,661 | 452,785 | (57,946) | (1,093) | 878 | 932,285 |
| Increases due to purchases / planting | 5,906 | - | 220 | - | - | 6,126 |
| Decreases due to harvest | - | - | (27,453) | - | - | (27,453) |
| Carrying amount as at 30 September 2010 | <u>1,852,068</u> | <u>3,213,474</u> | <u>247,562</u> | <u>-</u> | <u>14,131</u> | <u>5,327,235</u> |

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2010

6. BIOLOGICAL ASSETS (continued)

(a) The Group

Year ended 30 September 2009

| | 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 October 2008 | 1,345,002 | 2,197,616 | 278,086 | 2,980 | 14,845 | 3,838,529 |
| Gains / (losses) arising from changes in fair value less estimated point of sale costs | (37,280) | 558,470 | 51,281 | (1,887) | (1,592) | 568,992 |
| Increases due to purchases / planting | 779 | 4,603 | 3,374 | - | - | 8,756 |
| Carrying amount as at 30 September 2009 | <u>1,308,501</u> | <u>2,760,689</u> | <u>332,741</u> | <u>1,093</u> | <u>13,253</u> | <u>4,416,277</u> |

The Group is involved in the growing, processing and selling of coffee and tea and breeding of dairy cattle. At 30 September 2010, the Group had 127 (2009:108) cows able to produce milk, 131 (2009:82) calves that are raised to produce milk in the future, 41 (2009:113) bull calves and 150 (2009:352) sheep. The Group produced 646,832 (2009:649,751) litres of milk with a fair value less estimated point of sale costs of KShs 13,312,340 (2009: KShs 12,555,712) in the year.

The Group has 856 hectares of mature coffee bushes and 55 hectares of young coffee bushes. The Group harvested 1,106,883 (2009: 1,361,323) Kgs of coffee with a fair value less estimated point of sale costs of KShs 313 million (2009: KShs 261 million).

The Group has 1,391 (2009: 1,391) hectares of mature tea bushes and 46 (2009: 46) hectares of young tea bushes. The Group harvested 28,251,205 (2009: 23,704,270) Kgs of green tea leaves with a fair value less estimated point of sale costs of KShs 438 million (2009: KShs 332 million).

b) The Company

Year ended 30 September 2010

| | Coffee trees KShs '000 | Other trees KShs '000 | Livestock KShs '000 | Total KShs '000 |
|--|---------------------------|--------------------------|------------------------|--------------------|
| Carrying amount as at 1 October 2009 | 901,805 | 113,386 | 3,067 | 1,018,258 |
| Gains / (losses) arising from changes in fair value less estimated point of sale costs | 447,592 | (39,471) | 1,030 | 409,151 |
| Increases due to purchases / planting | 2,530 | 195 | - | 2,725 |
| Carrying amount as at 30 September 2010 | <u>1,351,927</u> | <u>74,110</u> | <u>4,097</u> | <u>1,430,134</u> |

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2010

6. BIOLOGICAL ASSETS (continued)

The Company

Year ended 30 September 2009

| | Coffee trees KShs '000 | Other trees KShs '000 | Livestock KShs '000 | Total KShs '000 |
|--|---------------------------|--------------------------|------------------------|-------------------------|
| Carrying amount as at 1 October 2008 | 978,884 | 106,646 | 3,464 | 1,088,994 |
| Gains arising from changes in fair value less estimated point of sale costs | (77,159) | 3,526 | (397) | (74,030) |
| Increases due to purchases / planting | <u>80</u> | <u>3,214</u> | <u>-</u> | <u>3,294</u> |
| Carrying amount as at 30 September 2009 | <u>901,805</u> | <u>113,386</u> | <u>3,067</u> | <u>1,018,258</u> |

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%.

The Group does not anticipate that coffee and tea 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 coffee and tea prices. The Group reviews its outlook for coffee and tea prices regularly in considering the need for active financial risk management.

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2010

7. PREPAID LEASES ON LEASEHOLD LAND

| COST | The Group | | The Company | |
|-------------------------|------------------|------------------|------------------|------------------|
| | 2010 KShs'000 | 2009 KShs'000 | 2010 KShs'000 | 2009 KShs'000 |
| Balance brought forward | 23,260 | 23,260 | 9,210 | 9,210 |
| Disposals | (202) | - | - | - |
| At 30 September | <u>23,058</u> | <u>23,260</u> | <u>9,210</u> | <u>9,210</u> |
| AMORTISATION | | | | |
| Balance brought forward | 1,798 | 1,662 | 819 | 698 |
| Charge for the year | 239 | 135 | 125 | 121 |
| Disposals | (17) | - | - | - |
| At 30 September | <u>2,020</u> | <u>1,797</u> | <u>944</u> | <u>819</u> |
| NET BOOK VALUE | | | | |
| 30 September | <u>21,038</u> | <u>21,463</u> | <u>8,266</u> | <u>8,391</u> |

8. INVESTMENT IN SUBSIDIARY COMPANIES

| | | | | |
|-------------------------------|---|---|----------------|---------------|
| Share in subsidiaries at cost | - | - | <u>172,697</u> | <u>72,697</u> |
|-------------------------------|---|---|----------------|---------------|

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 | 85 | |
| Wahenya Limited | 85 | (100% held by Mweiga Estate Limited) |
| Aristocrats Tea & Coffee Exporters | 100 | |
| Sasini Coffee House Limited | 60 | |

Consolidated financial statements have been prepared incorporating the financial statements of the Company and its subsidiaries made up to 30 September 2010.

During the year the company acquired an additional 10% share in Mweiga Estate Limited for a consideration of KShs 100 million thus increasing its holding from 75% to 85%.

The fair value of the identifiable assets and liabilities of Mweiga Estate Limited as at the date of the additional 10% share acquisition were:

| | |
|---|------------------|
| Assets | KShs'000 |
| Liabilities | 846,799 |
| | <u>(240,827)</u> |
| Total net assets at fair value | <u>605,972</u> |
| Non-controlling interest measured at fair value | 60,597 |
| Goodwill arising on acquisition | <u>39,403</u> |
| Purchase consideration | <u>100,000</u> |

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2010

9. OTHER INVESTMENTS

| | The Group | | The Company | |
|--------------------|--------------|--------------|-------------|----------|
| | 2010 | 2009 | 2010 | 2009 |
| | KShs'000 | KShs'000 | KShs'000 | KShs'000 |
| Trade investments: | | | | |
| Unquoted | <u>4,229</u> | <u>4,229</u> | <u>-</u> | <u>-</u> |

These relate to unquoted investments classified as available for sale and measured at cost.

10. INVENTORIES

| | The Group | | The Company | |
|------------------------|----------------|----------------|---------------|---------------|
| | 2010 | 2009 | 2010 | 2009 |
| | KShs'000 | KShs'000 | KShs'000 | KShs'000 |
| Tea | 83,725 | 82,664 | 39,971 | 42,375 |
| Tea and tree nurseries | 4,503 | 3,277 | - | - |
| Coffee | 69,111 | 61,543 | 10,280 | 6,878 |
| Estate stores | <u>121,418</u> | <u>71,775</u> | <u>34,877</u> | <u>9,660</u> |
| | <u>278,757</u> | <u>219,259</u> | <u>85,128</u> | <u>58,913</u> |

The amount of write-down of inventories recognised as an expense is KShs Nil (2009: KShs 33,833,741) which is recognised in cost of sales.

11. TRADE AND OTHER RECEIVABLES

| | The Group | | The Company | |
|---|----------------|-----------------|----------------|-----------------|
| | 2010 | 2009 | 2010 | 2009 |
| | KShs'000 | KShs'000 | KShs'000 | KShs'000 |
| Trade receivables | 174,412 | 214,333 | 76,722 | 85,993 |
| Allowances for impairment | <u>(3,016)</u> | <u>(32,375)</u> | <u>(2,494)</u> | <u>(32,375)</u> |
| Net trade receivables | 171,396 | 181,958 | 74,228 | 53,618 |
| Other receivables and prepaid expenses | <u>147,644</u> | <u>89,453</u> | <u>42,657</u> | <u>54,643</u> |
| | <u>319,040</u> | <u>271,411</u> | <u>116,885</u> | <u>108,261</u> |
| Allowances for impairment | | | | |
| At beginning of the year | 32,375 | - | 32,375 | - |
| Written off | (29,881) | - | (29,881) | - |
| Charge for the year | <u>522</u> | <u>32,375</u> | <u>-</u> | <u>32,375</u> |
| At the end of the year | <u>3,016</u> | <u>32,375</u> | <u>2,494</u> | <u>32,375</u> |
| Aged analysis of trade receivables | | | | |
| Neither past due nor impaired | | | | |
| Less than 30 days | 98,015 | 145,368 | 8,030 | 24,900 |
| 31 to 90 days | 41,581 | 10,888 | 34,967 | 10,888 |
| Over 90 days (past due but not impaired) | 31,800 | 25,702 | 31,231 | 17,830 |
| Over 90 days (past due and impaired) | <u>3,016</u> | <u>32,375</u> | <u>2,494</u> | <u>32,375</u> |
| | <u>174,412</u> | <u>214,333</u> | <u>76,722</u> | <u>85,993</u> |

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2010

12. RELATED COMPANIES BALANCES

| | The Group | | The Company | |
|--|--------------|--------------|---------------|---------------|
| | 2010 | 2009 | 2010 | 2009 |
| | KShs'000 | KShs'000 | KShs'000 | KShs'000 |
| Amount due from subsidiary companies | | | | |
| Aristocrats Tea & Coffee Exporters Limited | - | - | 15,484 | 8,518 |
| Sasini Coffee House Limited | - | - | 7,302 | - |
| Kipkebe Limited | - | - | - | 4,030 |
| Mweiga Estate Limited | - | - | 17,806 | 26,863 |
| | <u>-</u> | <u>-</u> | <u>40,592</u> | <u>39,411</u> |
| Amount due to subsidiaries | | | | |
| Kipkebe Limited | - | - | 46,380 | - |
| Amount due from related companies | | | | |
| Sasini Uganda Limited | 1,618 | 1,695 | 1,618 | 1,695 |
| Sameer Agriculture & Livestock Limited | 1,685 | - | - | - |
| The Ark Limited | 148 | - | - | - |
| | <u>3,451</u> | <u>1,695</u> | <u>1,618</u> | <u>1,695</u> |

Sasini Uganda Limited, Sameer Agriculture & Livestock Limited and The Ark Limited are related to Sasini Limited through common directorship and shareholding. Amounts due from related companies relate to payments made by Sasini Limited on behalf of the companies.

13. SHARE CAPITAL

| Authorised: | The Group | | The Company | |
|---|----------------|----------------|----------------|----------------|
| | 2010 | 2009 | 2010 | 2009 |
| | KShs'000 | KShs'000 | KShs'000 | KShs'000 |
| 300,000,000 ordinary shares of KShs 1 each | <u>300,000</u> | <u>300,000</u> | <u>300,000</u> | <u>300,000</u> |
| Issued and fully paid: | | | | |
| 228,055,500 ordinary shares of KShs 1 each. | <u>228,055</u> | <u>228,055</u> | <u>228,055</u> | <u>228,055</u> |

14. RESERVES

| | | | | |
|--------------------------------------|------------------|------------------|------------------|------------------|
| Non-distributable reserves: | | | | |
| Revaluation reserve | 1,959,230 | 2,081,483 | 1,184,994 | 1,200,594 |
| Capital reserve | 137,933 | 137,933 | 40,594 | 40,594 |
| Biological assets fair value reserve | 3,083,921 | 2,455,567 | 888,580 | 602,992 |
| | <u>5,181,084</u> | <u>4,674,983</u> | <u>2,114,168</u> | <u>1,844,180</u> |
| Distributable Reserves: | | | | |
| Retained earnings | 915,087 | 581,650 | 209,055 | 35,002 |
| Proposed dividends | 68,417 | 45,611 | 68,417 | 45,611 |
| | <u>983,504</u> | <u>627,261</u> | <u>277,472</u> | <u>80,613</u> |
| Non-controlling interest | <u>136,739</u> | <u>131,523</u> | - | - |

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2010

14. RESERVES (continued)

Revaluation reserve

The revaluation reserve relates to increases in the fair value of property, plant and equipment and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity.

Biological assets fair value

The biological assets fair value relates to increases in the fair value of biological assets and decreases to the extent that such decrease relate to an increase on the same asset previously recognised in equity.

15. DEFERRED TAX

| | The Group | | The Company | |
|---|------------------|------------------|------------------|-----------------|
| | 2010 | 2009 | 2010 | 2009 |
| | KShs'000 | KShs'000 | KShs'000 | KShs'000 |
| The provision for deferred tax comprises: | | | | |
| Excess of tax allowances over depreciation | 256,446 | 317,241 | 119,076 | 132,814 |
| Tax losses | (110,606) | (123,942) | (69,824) | (89,377) |
| Other temporary differences | (65,982) | (62,518) | (8,052) | (10,436) |
| Biological assets | <u>1,364,491</u> | <u>1,093,042</u> | <u>384,204</u> | <u>261,459</u> |
| | <u>1,444,349</u> | <u>1,223,823</u> | <u>425,404</u> | <u>294,460</u> |
| Deferred tax movement: | | | | |
| Balance brought forward | 1,223,823 | 969,653 | 294,460 | 296,429 |
| Balance carried forward | <u>1,444,349</u> | <u>1,223,823</u> | <u>425,404</u> | <u>294,460</u> |
| Movement during the year | <u>(220,526)</u> | <u>(254,170)</u> | <u>(130,943)</u> | <u>1,969</u> |
| Analysis of movement during the year: | | | | |
| Recognised in equity | (28,094) | 117,767 | (6,685) | 40,023 |
| Minority interest share in equity | (723) | 5,355 | - | - |
| Recognised in statement of comprehensive income | <u>249,343</u> | <u>131,048</u> | <u>137,629</u> | <u>(41,992)</u> |
| | <u>220,526</u> | <u>254,170</u> | <u>130,943</u> | <u>(1,969)</u> |

16. BANK LOAN

| | | | | |
|--|---|--------------|---|--------------|
| Maturing within less than one year | - | 3,235 | - | 3,235 |
| Maturing after one and within five years | - | <u>1,315</u> | - | <u>1,315</u> |
| | - | <u>4,550</u> | - | <u>4,550</u> |

This related to a hire purchase facility from Equatorial Commercial Bank Limited to finance the purchase of company motor vehicles. The loan was fully repaid during the year.

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2010

17. POST EMPLOYMENT BENEFITS

| | The Group | | The Company | |
|-------------------------|----------------|----------------|---------------|---------------|
| | 2010 | 2009 | 2010 | 2009 |
| | KShs'000 | KShs'000 | KShs'000 | KShs'000 |
| Balance brought forward | 174,707 | 157,399 | 11,879 | 12,706 |
| Paid during the year | (13,485) | (10,795) | (980) | (854) |
| Charge for the year | 36,506 | 28,103 | 8,561 | 27 |
| Balance carried forward | <u>197,728</u> | <u>174,707</u> | <u>19,460</u> | <u>11,879</u> |
| Non-current portion | 186,688 | 163,912 | 18,510 | 10,995 |
| Current portion | <u>11,040</u> | <u>10,795</u> | <u>950</u> | <u>884</u> |
| | <u>197,728</u> | <u>174,707</u> | <u>19,460</u> | <u>11,879</u> |

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 2010.

The principle assumptions used were as follows:

(% p.a.)

| | |
|-------------------------|----|
| Discount rate | 10 |
| Future salary increases | 8 |

18. TAXATION PAYABLE / (RECOVERABLE)

| | The Group | | The Company | |
|---|------------------|-----------------|-----------------|-----------------|
| | 2010 | 2009 | 2010 | 2009 |
| | KShs'000 | KShs'000 | KShs'000 | KShs'000 |
| STATEMENT OF FINANCIAL POSITION | | | | |
| Balance brought forward | 46,955 | 10,415 | (19,746) | (15,136) |
| Charge for the year | 139,304 | 95,643 | - | - |
| Paid during the year | <u>(183,405)</u> | <u>(59,103)</u> | <u>(5,800)</u> | <u>(4,610)</u> |
| Balance carried forward | <u>2,854</u> | <u>46,955</u> | <u>(25,546)</u> | <u>(19,746)</u> |
| STATEMENT OF COMPREHENSIVE INCOME | | | | |
| Income tax on the taxable profit for the year at 30% | <u>139,304</u> | <u>95,643</u> | - | - |
| Deferred tax (credit)/charge | (22,243) | (42,276) | 14,066 | (20,771) |
| Deferred tax charge /(credit) on biological assets fair value | <u>271,586</u> | <u>173,323</u> | <u>123,563</u> | <u>(21,221)</u> |
| Total deferred tax charge /(credit) | <u>249,343</u> | <u>131,047</u> | <u>137,629</u> | <u>(41,992)</u> |
| Taxation charge /(credit) for the year | <u>388,646</u> | <u>226,690</u> | <u>137,629</u> | <u>(41,992)</u> |

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2010

18. TAXATION (continued)

| Reconciliation of tax charge /(credit) | The Group | | The Company | |
|--|------------------|------------------|------------------|------------------|
| | 2010 KShs'000 | 2009 KShs'000 | 2010 KShs'000 | 2009 KShs'000 |
| Accounting profit before taxation | <u>1,382,375</u> | <u>759,722</u> | <u>689,012</u> | <u>97,809</u> |
| Tax applicable rate at 30 % | 414,713 | 227,916 | 206,704 | 29,343 |
| Tax effects of items not allowed for tax | (23,897) | 488 | (69,075) | (71,335) |
| Prior year deferred tax | <u>(2,170)</u> | <u>(1,714)</u> | <u>-</u> | <u>-</u> |
| | <u>388,646</u> | <u>226,690</u> | <u>137,629</u> | <u>(41,992)</u> |

DIVIDEND TAX ACCOUNT

The Group and the Company have credit balances on the dividend tax accounts of KShs 554,825,979 (2009: KShs 379,235,724) and KShs 306,207,623 (2009: KShs 161,907,416), respectively, which include tax payments to 30 September 2010. Therefore, there is no compensating tax payable for the year.

19. LOAN NOTES

| | The Group | | The Company | |
|------------|------------------|------------------|------------------|------------------|
| | 2010 KShs'000 | 2009 KShs'000 | 2010 KShs'000 | 2009 KShs'000 |
| Loan Notes | <u>540,000</u> | <u>600,000</u> | <u>540,000</u> | <u>600,000</u> |

The Company issued KShs 600,000,000, 5 year fixed rate loan notes with a coupon rate of 11.75% payable semi-annually. The loan note issue date was 03 December 2007 and they were listed on the Nairobi Stock Exchange on 07 December 2007. The loan notes are redeemable in full by 3rd December 2012. Payments of principal are made semi annually and commenced on 03 June 2010 with the final payment due on 03 December 2012. Interest payments on the loan notes commenced on 03 June 2009 and are payable semi-annually thereafter in arrears.

Maturity analysis

| | The Group | | The Company | |
|--|------------------|------------------|------------------|------------------|
| | 2010 KShs'000 | 2009 KShs'000 | 2010 KShs'000 | 2009 KShs'000 |
| Maturing within one year | 120,000 | 60,000 | 120,000 | 60,000 |
| Maturing after one year but within 5 years | <u>420,000</u> | <u>540,000</u> | <u>420,000</u> | <u>540,000</u> |
| | <u>540,000</u> | <u>600,000</u> | <u>540,000</u> | <u>600,000</u> |

On 3rd December 2010, the company exercised its option to redeem the loan notes in full. The contractual classification at the reporting date noted above has been retained in this report.

20. TRADE AND OTHER PAYABLES

| | | | | |
|----------------|----------------|----------------|----------------|----------------|
| Trade payables | 196,058 | 129,720 | 93,478 | 79,083 |
| Other payables | <u>171,446</u> | <u>138,444</u> | <u>82,816</u> | <u>71,340</u> |
| | <u>367,504</u> | <u>268,164</u> | <u>176,294</u> | <u>150,423</u> |

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2010

21. PROVISIONS

| | The Group | | The Company | |
|---------------------------|---------------|---------------|--------------|--------------|
| | 2010 | 2009 | 2010 | 2009 |
| | KShs'000 | KShs'000 | KShs'000 | KShs'000 |
| Balance brought forward | 14,254 | 9,800 | 8,914 | 6,848 |
| Additional provisions | 195 | 4,454 | - | 2,066 |
| Utilisation of provisions | (1,757) | - | (1,482) | - |
| At 30 September | <u>12,692</u> | <u>14,254</u> | <u>7,432</u> | <u>8,914</u> |

22. BANK OVERDRAFT

The bank overdraft facilities with Barclays Bank of Kenya Limited are secured to the extent of KShs 10,085,000 (2009: KShs 5,500,000) by way of a lien over a cash deposit with the bank.

23. REVENUE

| | The Group | | The Company | |
|----------------------|------------------|------------------|----------------|----------------|
| | 2010 | 2009 | 2010 | 2009 |
| | KShs'000 | KShs'000 | KShs'000 | KShs'000 |
| Tea | 1,509,305 | 1,320,880 | - | - |
| Coffee | 509,110 | 480,450 | 314,565 | 257,570 |
| Livestock | 5,710 | 6,431 | 489 | 890 |
| Dairy produce | 19,333 | 19,979 | 3,279 | 2,731 |
| Horticulture | 8,198 | 13,931 | - | - |
| Retail trading sales | 156,408 | 249,607 | 156,408 | 249,607 |
| Coffee mill | 51,355 | 53,642 | 51,355 | 53,642 |
| Rent receivable | 8,454 | 7,106 | 8,403 | 6,943 |
| Marketing commission | 30,054 | 30,064 | 30,054 | 26,001 |
| | <u>2,297,927</u> | <u>2,182,090</u> | <u>564,553</u> | <u>597,384</u> |

24. COST OF SALES

| | | | | |
|-----------------------------|------------------|------------------|----------------|----------------|
| Stock movement | (19,518) | 65,998 | (3,365) | 68,956 |
| General charges | 209,849 | 152,976 | 80,204 | 32,652 |
| Plantation maintenance | 426,182 | 446,701 | 39,720 | 88,451 |
| Production expenses | 340,215 | 308,201 | 48,950 | 46,735 |
| Green leaf purchases | 183,320 | 230,380 | - | - |
| Coffee house expenses | 35,509 | 34,257 | - | - |
| Coffee purchases & shipping | 22,567 | - | - | - |
| Livestock expenses | 25,530 | 21,700 | 4,615 | - |
| Horticulture expenses | 10,680 | 12,834 | - | - |
| Retail trading expenses | 120,195 | 164,208 | 120,195 | 164,208 |
| Coffee mill expenses | 21,921 | 34,238 | 21,921 | 34,238 |
| | <u>1,376,450</u> | <u>1,471,493</u> | <u>312,240</u> | <u>435,240</u> |

25. OTHER INCOME

| | | | | |
|---|----------------|---------------|---------------|---------------|
| Gain on disposal of property, plant and equipment | 79,407 | 101 | 79 | 101 |
| Exchange gain | 38,419 | 20,761 | 37,217 | 24,606 |
| Management fees | - | - | 27,300 | 27,300 |
| Sundry income | 59,366 | 27,633 | 35,250 | 19,112 |
| | <u>177,192</u> | <u>48,495</u> | <u>99,846</u> | <u>71,119</u> |

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2010

26. ADMINISTRATION AND ESTABLISHMENT EXPENSES

| | The Group | | The Company | |
|---|----------------|----------------|----------------|----------------|
| | 2010 | 2009 | 2010 | 2009 |
| | KShs'000 | KShs'000 | KShs'000 | KShs'000 |
| Staff costs (note 32) | 159,100 | 144,263 | 78,041 | 71,652 |
| Insurance and medical costs | 21,719 | 16,592 | 1,169 | 402 |
| Depreciation of property, plant and equipment | 161,663 | 115,809 | 48,096 | 31,075 |
| Amortisation of intangible assets | 10,092 | 1,991 | 3,486 | - |
| Amortisation of leasehold land | 239 | 135 | 125 | 121 |
| Auditors' remuneration | 3,400 | 2,830 | 1,050 | 870 |
| Directors' emoluments | 9,972 | 10,286 | 9,972 | 10,286 |
| Legal and professional fees | 7,110 | 9,912 | 2,687 | 2,362 |
| Secretarial costs | 3,000 | 3,000 | - | - |
| Travelling and accommodation | 2,795 | 3,443 | 2,269 | 2,657 |
| Coffee house overheads | 34,523 | 25,450 | - | - |
| Office expenses | 43,152 | 18,335 | 6,950 | 17,680 |
| Administration costs | 102,544 | 142,595 | 100,144 | 99,646 |
| Bank charges | 2,034 | 3,251 | 231 | 1,681 |
| Sundry expenses | 2,207 | 16,021 | - | 11,747 |
| | <u>563,550</u> | <u>513,913</u> | <u>254,220</u> | <u>250,179</u> |

27. SELLING AND DISTRIBUTION EXPENSES

| | | | | |
|---------------------------------|---------------|---------------|---|---|
| Warehousing and storage charges | <u>13,427</u> | <u>11,297</u> | - | - |
|---------------------------------|---------------|---------------|---|---|

28. PROFIT BEFORE TAXATION

The profit before taxation is arrived at after charging:

| | | | | |
|---|---------------|---------------|---------------|---------------|
| Depreciation | 161,663 | 115,809 | 48,096 | 31,075 |
| Amortisation of intangible assets | 10,092 | 1,991 | 3,486 | - |
| Amortisation of leasehold land | 239 | 135 | 125 | 121 |
| Directors' emoluments: | | | | |
| Fees | 2,601 | 2,915 | 2,601 | 2,915 |
| Other remuneration | 7,371 | 7,371 | 7,371 | 7,371 |
| Pension scheme contributions | 6,843 | 5,608 | 3,409 | 2,721 |
| Auditors' remuneration | 3,400 | 2,830 | 1,050 | 870 |
| Interest expense | <u>71,923</u> | <u>71,649</u> | <u>56,923</u> | <u>67,374</u> |
| And after crediting: | | | | |
| Interest income | 27,774 | 28,497 | 8,846 | 26,129 |
| Foreign exchange gain | 38,419 | 20,761 | 37,217 | 23,648 |
| Gain on disposal of property, plant and equipment | <u>79,407</u> | <u>101</u> | <u>79</u> | <u>101</u> |

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2010

29. EARNINGS / (LOSS) PER SHARE

Earnings / (loss) per share is calculated by dividing profit or loss for the year attributable to ordinary equity holders of the parent and on the 228,055,500 ordinary shares outstanding during the year. Basic and diluted earnings per share are the same.

| | The Group | | The Company | |
|---|-------------|-------------|-------------|-------------|
| | 2010 | 2009 | 2010 | 2009 |
| | KShs'000 | KShs'000 | KShs'000 | KShs'000 |
| Earnings/ (loss) per share on normal operations | 1.55 | 0.60 | 1.17 | 0.84 |
| Earnings per share on biological assets | 2.75 | 1.70 | 1.25 | (0.22) |
| Net earnings per share (KShs) | <u>4.30</u> | <u>2.30</u> | <u>2.42</u> | <u>0.62</u> |

30. CASH FLOWS GENERATED FROM OPERATIONS

Reconciliation of profit before tax to cash generated from operations

| | The Group | | The Company | |
|---|------------------|------------------|------------------|-----------------|
| | 2010 | 2009 | 2010 | 2009 |
| | KShs'000 | KShs'000 | KShs'000 | KShs'000 |
| Profit before tax and minority interests | 1,382,375 | 759,722 | 689,012 | 97,809 |
| Adjustments for: | | | | |
| Depreciation and amortisation | 171,994 | 117,935 | 51,707 | 31,196 |
| Foreign exchange gain | (38,419) | (20,761) | (37,218) | (23,648) |
| Interest received | (27,774) | (28,497) | (8,846) | (26,129) |
| Dividend received | - | - | (230,000) | (230,000) |
| Interest expense | 71,923 | 71,649 | 56,923 | 67,374 |
| Gains on disposal of property, plant and equipment | (79,407) | (101) | (79) | (101) |
| Write off of investments | - | 1,816 | - | 1,298 |
| (Gains)/ losses arising from changes in fair value of biological assets | <u>(904,832)</u> | <u>(568,992)</u> | <u>(409,150)</u> | <u>74,030</u> |
| Operating profit / (loss) before working capital changes | 575,860 | 332,771 | 112,349 | (8,171) |
| Inventories | (59,498) | 110,632 | (26,215) | 114,258 |
| Trade and other receivables | (47,628) | (1,232) | (8,627) | 23,594 |
| Related company | (1,755) | (80) | 77 | (172,371) |
| Trade and other payables | 99,341 | (51,662) | 25,871 | (18,316) |
| Amount due from subsidiary company | - | - | 45,199 | - |
| Provisions | (1,562) | 4,454 | (1,482) | (2,066) |
| Increase in post employment obligations | <u>23,021</u> | <u>17,308</u> | <u>7,581</u> | <u>(828)</u> |
| Cash flows generated from / (used in) operations | <u>587,779</u> | <u>412,191</u> | <u>154,753</u> | <u>(59,768)</u> |

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2010

31. CASH AND CASH EQUIVALENTS

| | The Group | | The Company | |
|--------------------|----------------|----------------|----------------|----------------|
| | 2010 | 2009 | 2010 | 2009 |
| | KShs'000 | KShs'000 | KShs'000 | KShs'000 |
| Cash and bank | 214,620 | 385,900 | 113,954 | 295,591 |
| Short term deposit | 411,788 | 162,746 | 255,330 | - |
| Bank overdraft | (4,955) | (3,958) | - | (448) |
| | <u>621,453</u> | <u>544,688</u> | <u>369,284</u> | <u>295,143</u> |

32. RELATED PARTY TRANSACTIONS

The Company shares common directors with some of its subsidiary companies and suppliers, to and from whom goods and services were supplied during the year under review. The following transactions were entered into with these related parties:

| | The Group | | The Company | |
|-----------------------------------|---------------|--------------|--------------|--------------|
| | 2010 | 2009 | 2010 | 2009 |
| | KShs'000 | KShs'000 | KShs'000 | KShs'000 |
| i) Purchase of goods and services | | | | |
| Ryce East Africa Limited | 5,570 | 172 | 3,193 | 37 |
| Ryce Engineering Limited | 49 | 840 | - | 830 |
| Yana Tyre Centre Limited | 203 | 1,079 | 178 | 1,076 |
| Sameer Investments Limited | 112 | 40 | 112 | 40 |
| Sameer Management Limited | 3,037 | 3,003 | 37 | 34 |
| Zain Kenya Limited | 1,218 | 1,795 | 841 | 1,376 |
| Sameer Agriculture Limited | 10 | - | 10 | - |
| Swift Global Kenya Limited | 3,009 | 343 | 1,643 | - |
| | <u>13,208</u> | <u>7,272</u> | <u>6,014</u> | <u>3,393</u> |

The Company also shares common directors with one of its bankers, who provided a range of banking services to the Company during the year under review. One of the Company's directors is its legal adviser, who supplied a range of legal services to the Company during the year under review. The transactions entered into with these related parties were in the normal course of business.

| | The Group | | The Company | |
|---------------------------------|----------------|----------------|---------------|---------------|
| | 2010 | 2009 | 2010 | 2009 |
| | KShs'000 | KShs'000 | KShs'000 | KShs'000 |
| ii) Key management compensation | | | | |
| Short term employee benefits | 65,514 | 62,394 | 44,139 | 42,038 |
| Post employment benefits | 5,302 | 5,050 | 3,922 | 3,736 |
| | <u>70,816</u> | <u>67,444</u> | <u>48,061</u> | <u>45,774</u> |
| iii) Staff costs | | | | |
| Salaries and wages | 149,741 | 134,895 | 75,891 | 66,385 |
| Staff leave accruals | 955 | 3,182 | (1,482) | 2,065 |
| Pension costs | 6,843 | 5,608 | 3,409 | 2,721 |
| National Social Security Fund | 1,561 | 578 | 223 | 481 |
| | <u>159,100</u> | <u>144,263</u> | <u>78,041</u> | <u>71,652</u> |

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2010

33. CAPITAL COMMITMENTS

| | The Group | | The Company | |
|-------------------------------|-----------|----------|-------------|----------|
| | 2010 | 2009 | 2010 | 2009 |
| | KShs'000 | KShs'000 | KShs'000 | KShs'000 |
| Authorised and contracted for | - | 115,725 | - | 64,126 |

In the previous year, the capital commitments related to expansion of the coffee mill and acquisition of mill machinery for Sasini Limited, acquisition of factory machinery, vehicles and tractors for Kipkebe Limited and the opening of a new SAVANNA outlet.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents, investments, receivables bank loans, loan notes 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 Group's risk management framework. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise 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.

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 optimising on the return on the risk.

1) 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 loan note 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.

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2010

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

MARKET RISK (continued)

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 statement of financial position date. All gains or losses on changes in currency exchange rates are accounted for in the statement of comprehensive income.

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and Sterling Pound.

The balances in foreign currencies at year end were as follows:

| | 2010 | 2009 |
|-----------------------------------|----------------|----------------|
| | Kshs '000 | Kshs '000 |
| Assets in foreign currencies:- | | |
| Trade and other receivables | 104,110 | 51,099 |
| Cash and bank balances | <u>169,689</u> | <u>228,293</u> |
| | <u>273,799</u> | <u>279,392</u> |
| Liabilities in foreign currencies | | |
| Trade and other payables | - | 25,307 |
| Borrowings | <u>-</u> | <u>-</u> |
| | <u>-</u> | <u>25,307</u> |
| Net foreign currency asset | <u>273,799</u> | <u>254,085</u> |

The following are the exchange rates that existed at the financial year end for the following significant currencies:

| | 2010 | 2009 |
|------|--------|--------|
| | KShs | KShs |
| US\$ | 80.77 | 74.99 |
| GBP | 120.29 | 127.84 |

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 SEPTEMBER 2010

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34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

MARKET RISK (continued)

II) Foreign exchange risk (continued)

The following table demonstrates the effect on the company's statement of comprehensive income on applying the sensitivity for a reasonable possible change in the exchange rate of the main transaction currencies, with all other variables held constant.

| Change in currency rate | | Effect on Profit Before Tax | Effect on Equity |
|-------------------------|---------|-----------------------------|------------------|
| | | KShs' 000 | KShs' 000 |
| US\$ | | | |
| 2010 | -10.00% | 27,309 | 19,116 |
| | 10.00% | (27,309) | (19,116) |
| 2009 | -10.00% | 23,185 | 16,209 |
| | 10.00% | (23,185) | (16,209) |
| GBP | | | |
| 2010 | -10.00% | 69 | 48 |
| | 10.00% | (69) | (48) |
| 2009 | -10.00% | 2,374 | 1,162 |
| | 10.00% | (2,374) | (1,162) |

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 and coffee 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 and coffee prices regularly in considering the need for active financial risk management.

The following are the average prices for coffee, tea that existed at the financial year end:

| | 2010 | 2009 |
|--------|------|------|
| | KShs | KShs |
| Coffee | 392 | 262 |
| Tea | 170 | 147 |

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2010

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

III) Price risk (continued)

The following table demonstrates the effect on the company's statement of comprehensive income on applying the sensitivity for a reasonable possible change in the coffee and tea prices, with all other variables held constant.

| | Change in price | Effect on Profit Before Tax KShs' 000 | Effect on Equity KShs' 000 |
|--------|-----------------|--|-------------------------------|
| Coffee | | | |
| 2010 | -10.00% | (12,493) | (8,745) |
| | 10.00% | 12,493 | 8,745 |
| 2009 | -10.00% | (2,727) | (1,909) |
| | 10.00% | 2,727 | 1,909 |
| Tea | | | |
| 2010 | -10.00% | (38,684) | (27,079) |
| | 10.00% | 38,684 | 27,079 |
| 2009 | -10.00% | (24,231) | (16,962) |
| | 10.00% | 24,231 | 16,962 |

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2010

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

LIQUIDITY RISK (continued)

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:

As at 30 September 2010

| | 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 | - | - | - | - | - |
| Post employment benefits | - | - | 11,040 | 186,688 | 197,728 |
| Trade and other payables | 116,675 | 129,412 | 121,417 | - | 367,504 |
| Provisions | - | 12,692 | - | - | 12,692 |
| Loan notes | - | 60,000 | 60,000 | 420,000 | 540,000 |
| Bank overdraft | 4,955 | - | - | - | 4,955 |
| | <u>121,630</u> | <u>202,104</u> | <u>192,457</u> | <u>606,688</u> | <u>1,122,879</u> |

As at 30 September 2009

| | 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 | 805 | 2,160 | 1,315 | 4,550 |
| Post employment benefits | - | - | 10,795 | 163,912 | 174,707 |
| Trade and other payables | - | 231,331 | - | - | 231,331 |
| Provisions and accruals | - | 53,122 | - | - | 53,122 |
| Loan notes | - | - | 60,000 | 540,000 | 600,000 |
| Bank overdraft | 3,958 | - | - | - | 3,958 |
| | <u>4,228</u> | <u>285,258</u> | <u>72,955</u> | <u>705,227</u> | <u>1,067,668</u> |

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2010

34. 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.

35. 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 maximise shareholders' value.

The Capital Management policy as approved by the Board of Directors (the Board) is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board monitors the return on capital, which the Company defines as net operating income divided by total shareholders' equity. The Board also monitors the level of dividends to ordinary shareholders.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares as circumstances would dictate. There were no changes in the Group's approach to capital management as regards the objectives, policies or processes during the year.

36. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Below follows required disclosure of fair value measurements, using a three-level fair value hierarchy that reflects the significance of the inputs used in determining the measurements. It should be noted that these disclosure only cover instruments measured at fair value.

Level 1

Included in level 1 category are financial assets and liabilities that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2010

36. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (continued)

Level 1

Included in level 1 category are financial assets and liabilities that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2

Included in level 2 category are financial assets and liabilities measured using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). For example, instruments measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are categorised as level 2.

Financial assets and liabilities measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are assets and liabilities for which pricing is obtained via pricing services, but where prices have not been determined in an active market, financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Group's own models whereby the majority of assumptions are market observable.

Level 3

Financial assets and liabilities measured using inputs that are not based on observable market data are categorised as level 3. Non market observable inputs means that fair values are determined in whole or in part using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. The main asset classes in this category are unlisted equity investments and limited partnerships. Valuation techniques are used to the extent that observable inputs are not available, thereby allowing for situations for which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, that is, an exit price from the perspective of the Group. Therefore, unobservable inputs reflect the Group's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available, which might include the Group's own data. However, significant portion of the unquoted shares have been valued at cost and variation in inputs would not have significant fair value change.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

| Group | Level 1 | Level 2 | Level 3 | Total fair value |
|--|----------|----------|----------|------------------|
| As at 30 September 2010 | KShs'000 | KShs'000 | KShs'000 | KShs'000 |
| Financial assets designated at fair value through profit and loss | | | | |
| Deposits with financial institutions | - | 411,788 | - | 411,788 |
| Investment in unquoted shares | - | - | 4,229 | 4,229 |
| | - | 411,788 | 4,229 | 416,017 |
| As at 30 September 2009 | | | | |
| Deposits with financial institutions | - | 162,746 | - | 162,746 |
| Investment in unquoted shares | - | - | 4,229 | 4,229 |
| | - | 162,746 | 4,229 | 166,975 |

37. EMPLOYEES

The average number of employees for the Group during the year was 4,000 (2009: 4,654).

38. INCORPORATION

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

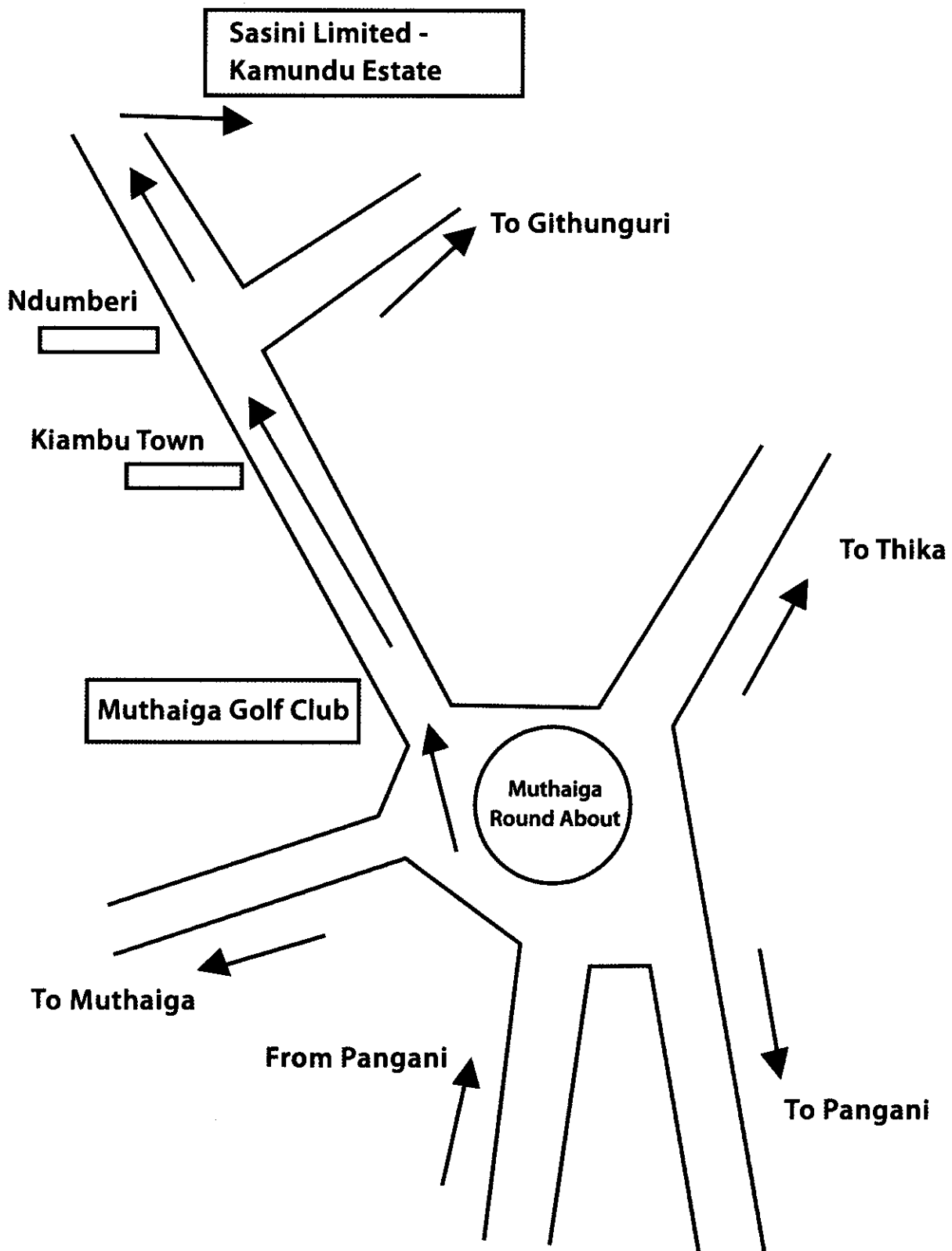
FIVE YEAR COMPARATIVE STATEMENTS

| | 2010 | 2009 | 2008 | 2007 | 2006 |
|--|------------------|------------------|------------------|------------------|------------------|
| PRODUCTION AND SALES STATISTICS | | | | | |
| TEA | | | | | |
| Area - Hectares | 1,437 | 1,437 | 1,437 | 1,437 | 1,437 |
| Production - Tonnes | 9,166 | 9,326 | 7,657 | 9,941 | 8,285 |
| Sales - Tonnes | 9,249 | 9,323 | 7,682 | 10,209 | 7,806 |
| Sales proceeds - KShs / Kg | 170 | 147 | 123 | 95 | 114 |
| COFFEE | | | | | |
| Area - Hectares | 912 | 912 | 912 | 912 | 912 |
| Production - Tonnes | 1,106 | 1,362 | 1,112 | 1,302 | 969 |
| Sales - Tonnes | 1,114 | 1,527 | 1,132 | 1,182 | 940 |
| Sales proceeds - KShs '000 / tonne | 392 | 262 | 244 | 200 | 202 |
| RESULTS | KShs '000 | KShs '000 | KShs '000 | KShs '000 | KShs '000 |
| TURNOVER | <u>2,297,927</u> | <u>2,182,090</u> | <u>1,442,072</u> | <u>1,325,354</u> | <u>1,268,959</u> |
| Gains / (losses) arising from changes in fair value less estimated point of sale costs | 904,832 | 568,992 | 1,302,454 | (8,892) | 226,309 |
| Profit / (loss) before taxation and non-controlling interest | 1,382,375 | 759,722 | 1,266,406 | (70,723) | 349,493 |
| Taxation (charge) / credit | <u>(388,646)</u> | <u>(226,690)</u> | <u>(381,202)</u> | <u>29,971</u> | <u>(109,168)</u> |
| Profit / (loss) after taxation before non-controlling interests | 993,729 | 533,032 | 885,204 | (40,752) | 240,325 |
| Non-controlling interest | <u>(12,822)</u> | <u>(7,006)</u> | <u>(9,541)</u> | <u>7,181</u> | <u>(3,587)</u> |
| Profit / (loss) attributable to the members | 980,907 | 526,026 | 875,663 | (33,571) | 236,738 |
| Dividends | <u>(114,028)</u> | <u>(91,222)</u> | - | - | <u>(38,009)</u> |
| Retained profit/ (loss) for the year transferred to reserves | <u>866,879</u> | <u>434,804</u> | <u>875,663</u> | <u>(33,571)</u> | <u>198,729</u> |

FIVE YEAR COMPARATIVE STATEMENTS

| CAPITAL EMPLOYED | 2010 KShs '000 | 2009 KShs '000 | 2008 KShs '000 | 2007 KShs '000 | 2006 KShs '000 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| Property, plant and equipment | 2,433,720 | 2,435,962 | 1,941,955 | 713,406 | 672,744 |
| Intangible assets | 39,791 | 718 | 2,368 | 3,010 | 4,516 |
| Goodwill | 39,403 | - | - | 80 | 80 |
| Biological assets | 5,327,235 | 4,416,277 | 3,838,529 | 2,522,939 | 2,512,301 |
| Prepaid leases- leasehold land | 21,038 | 21,463 | 21,598 | 13,733 | 13,766 |
| Capital work in progress | 6,392 | 78,573 | 14,013 | 18,251 | 38,443 |
| Other Investments | 4,229 | 4,229 | 6,045 | 27,016 | 6,938 |
| Net current assets | <u>708,611</u> | <u>636,885</u> | <u>610,576</u> | <u>266,630</u> | <u>285,863</u> |
| | <u>8,580,419</u> | <u>7,594,107</u> | <u>6,435,084</u> | <u>3,565,065</u> | <u>3,534,651</u> |
| FINANCED BY | | | | | |
| Share capital | 228,055 | 228,055 | 228,055 | 228,055 | 190,046 |
| Reserves | 6,096,171 | 5,256,633 | 4,367,379 | 2,640,094 | 2,708,900 |
| Non controlling interests | 136,739 | 131,523 | 121,872 | 86,483 | 93,521 |
| Proposed dividend | <u>68,417</u> | <u>45,611</u> | <u>-</u> | <u>-</u> | <u>38,009</u> |
| Equity | <u>6,529,382</u> | <u>5,661,822</u> | <u>4,717,306</u> | <u>2,954,632</u> | <u>3,030,476</u> |
| Deferred tax | 1,444,349 | 1,223,823 | 969,653 | 465,435 | 504,175 |
| Bank loan | - | 4,550 | 4,550 | 7,784 | - |
| Loan notes | 420,000 | 540,000 | 600,000 | - | - |
| Post employment benefit obligations | <u>186,688</u> | <u>163,912</u> | <u>143,575</u> | <u>137,214</u> | <u>-</u> |
| | <u>8,580,419</u> | <u>7,594,107</u> | <u>6,435,084</u> | <u>3,565,065</u> | <u>3,534,651</u> |
| RATIOS | | | | | |
| Earnings / (loss) per share on normal operations (KShs) | 1.55 | 0.60 | (0.06) | (0.14) | 2.16 |
| Earnings / (loss) per share on biological assets (KShs) | 2.75 | 1.70 | 3.90 | (0.01) | 4.07 |
| Dividend per share (KShs) | 0.50 | 0.40 | - | - | 1.00 |
| Dividend cover (times covered) | 8.26 | 1.50 | - | - | 2.16 |
| Capital employed per share | 39.36 | 33.30 | 28.22 | 15.63 | 93.00 |

MAP TO KAMUNDU ESTATE



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