Value addition products

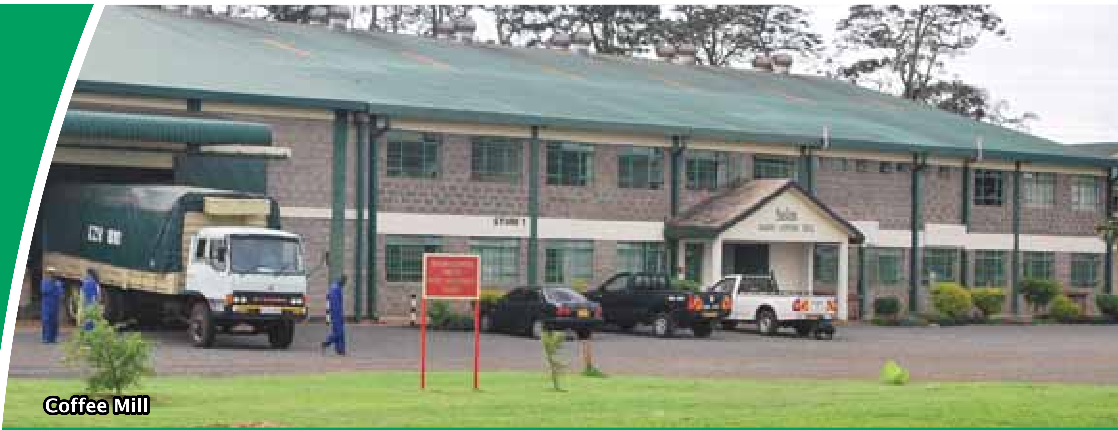

Kipkebe Estate, Labour Camp, Tea & Tree Plantations

SASINI LIMITED AND SUBSIDIARIES

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2011

Sasini

Member of Sameer Group


Coffee Mill


Savanna Coffee Lounge


Coffee Plantation


Dairy Cattle at Mweiga

Savanna THE COFFEE LOUNGE

Now at Sasini House, Loita Street, Nairobi Museum Hill Rd,
Near General Accident Building Ralph Bunche Rd,
United Nations Recreation Centre, Gigiri,
Ridgeways, Kiambu Rd and Cameo Cinema Building, Kenyatta Avenue,
Nairobi.

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COMPANY INFORMATION
FOR THE YEAR ENDED 30 SEPTEMBER 2011

Directors

Dr. J. B. McFie, PhD, MBS – Chairman
Dr M.J.C Mwangi, PhD – Managing Director
N. N. Merali, CBS
I. A. Timamy, LLB (Hons), CPS (Kenya)
A. H. Butt, CPA (Kenya), FCCA
P. W. Muthoka, BA (Hons), MA, MBS, 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 40286 – 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
Ring Road, Vale Close Westlands
P.O. Box 34154 -00100
NAIROBI

BOARD OF DIRECTORS

Dr. James B. McFie, (MBS)
Chairman

Mr. Naushad N. Merali
(CBS)

Dr. Caesar M.J. Mwangi
Managing Director

Mr. Akif H. Butt

Mr. Issa A. Timamy

Mr. Peter W. Muthoka (MBS)

Mr. Sameer N. Merali

Mr. Martin J. Ernest

Mrs. Lucy W. Waithaka

MANAGEMENT STAFF

From left to right:

Dr. Caesar M.J. Mwangi – Managing Director
Mr. Shashidar Menon – General Manager – Tea Operations
Mr. James Muriithi kieu – General Manager – Coffee Operations
Mr. Samuel Kanga Odalo – Group Financial Controller
Ms. Priscah Keah – Human Resource & Administartion Manager
Mr. Francis Kinyua Karimi – Sales & Marketing Manager – Retail Division
Mrs. Mary Rebecca Ekaya – Company Secretary

Champions of Governance Award

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 60th ANNUAL GENERAL MEETING of the members will be held at Kamundu Estate, Kiambu, on Friday, 2nd March 2012, at 11.30 a.m, for the following purposes:

1. To confirm the minutes of the 59th Annual General Meeting held on 4th March 2011.
2. To receive, consider and if deemed fit, adopt the annual financial statements for the year ended 30th September 2011 together with the reports thereon of the directors and of the auditors.
3. To confirm the interim dividend of 50% paid on 4th July 2011 and to declare a final dividend of 50%.
4. To elect the following directors:
    I. N.N. Merali, a Director retiring by rotation, who being eligible, offers himself for re-election.
    II. A.H Butt, a Director retiring by rotation, who being eligible, offers himself for re-election.
    III. I.A. Timamy, a Director retiring by rotation, who being eligible, offers himself for re-election.
    IV. S.N. Merali, a Director retiring by rotation, who being eligible, offers himself for re-election.
    V. M. J. Ernest, a Director retiring by rotation, who being eligible, offers himself for re-election.
    VI. Dr. J. B. McFie, a Director retiring by rotation, who being eligible, offers himself for re-election.
    VII. Mrs. L.W. Waithaka, a Director retiring by rotation, who being eligible, offers 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 and fix their remuneration.
6. To appoint Ernst and Young as auditors for the ensuing year and authorise directors to fix their remuneration.
7. Special Business

    Amendment of Articles of Association

    To consider and if thought fit, pass the following resolutions, as Special Resolutions.

    Resolutions
    a. THAT Article 2 of the Articles of Association of the Company be altered;
        i. by extending the meaning of the words “The Act”; and
        ii. by inserting at the end the following words “Address” and “Delivery” and their attendant meanings.
    b. THAT the Articles of Association of the Company be amended by deleting the present Regulations 79, 94, 124 134 and 136 and adopting new Regulations 79, 94, 124, 134 and 136 in lieu thereof as outlined in the annexture.
8. 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
9 December 2011

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 MKUU WA KILA MWAKA

Ilani inatolewa hapa kuwa Mkutano Mkuu wa kila Mwaka wa sitini (60) wa wanachama utafanyika katika shamba la Kamundu, Kiambu, Ijumaa, tarehe 2 Machi 2012, saa tano na nusu asubuhi, kwa madhumuni yafuatayo:

1. Kuthibitisha kumbukumbu za Mkutano Mkuu wa hamsini na tisa (59) uliofanyika tarehe 4 Machi 2011.
2. Kupokea, kuchunguza na ikionekana sawa kuidhinisha taarifa za kifedha za mwaka uliomalizikia tarehe 30 Septemba 2011, pamoja na taarifa za wakurugenzi na wakaguzi wa hesabu kuhusiana na hesabu hizo.
3. Kuthibitisha mgao wa muda wa faida wa asilimia 50 uliolipwa tarehe 4 Julai 2011 na kutangaza mgao wa mwisho wa faida wa asilimia 50.
4. Kuwachagua wakurugenzi wafuatao:
   (i) N.N.Merali, Mkurugenzi anayestaafu kwa zamu, ambaye kwa kuwa ana haki ya kuchaguliwa, anajitolea kuchaguliwa tena.
   (ii) A.H.Butt, Mkurugenzi anayestaafu kwa zamu, ambaye kwa kuwa ana haki ya kuchaguliwa, anajitolea kuchaguliwa tena.
   (iii) I.A.Timamy, Mkurugenzi anayestaafu kwa zamu, ambaye kwa kuwa ana haki ya kuchaguliwa, anajitolea kuchaguliwa tena.
   (iv) S.N.Merali, Mkurugenzi anayestaafu kwa zamu, ambaye kwa kuwa ana haki ya kuchaguliwa, anajitolea kuchaguliwa tena.
   (v) M.J.Ernest, Mkurugenzi anayestaafu kwa zamu, ambaye kwa kuwa ana haki ya kuchaguliwa, anajitolea kuchaguliwa tena.
   (vi) Dr.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 na kuamua ujira wao.
6. Kuwachagua Ernst & Young kama wakaguzi wa hesabu wa mwaka unaofuata na kuwapa wakurugenzi idhini ya kuamua ujira wao.
7. Shughuli Maalum

   Marekebisho ya Kanuni za Kampuni:

   Kuchunguzwa na ikionekana sawa, kupitisha maazimio maalum yafuatayo:

   Maazimio
   a. KUWA Kanuni namba 2 ya Kanuni za Kampuni ibadilishwe;
      i. kwa kupanua ufafanuzi wa sheria wajibika; na
      ii. kuongezea fani ya anwani na jinsi ya mawasiliano kama inavyoonyeshwa kwenye orodha.
   b. KUWA Kanuni za Kampuni zirekebishwe kwa kufuta kanuni za sasa 79, 94, 124, 134 na 136 na badala yazo kuchukua kanuni mpya 79, 94, 124, 134 na 136 kusoma kama ilivyochapwa kwenye kiambatanisho kilicho shikanishwa hapa.
8. Kushughulikia jambo lingine lolote linaloweza kushughulikiwa katika Mkutano Mkuu wa kila Mwaka.

Kwa Amri ya Halmashauri

Bi. Mary R. Ekaya
Katibu wa Kampuni

Nairobi
9 Desemba 2011

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
- Fomu ya uwakilishi imeshikanishwa.

CHAIRMAN'S STATEMENT

Global and National Economy

The year 2010 saw the world economy recover to post economic growth of 5.1%. This was mainly due to the reduction in excess capacity, accommodative policies, improvements in business confidence, financial conditions and consumption. The strong cyclical rebound in industrial production and trade was not however expected to persist.[1]

The year 2011 experienced a general slowdown and economic growth is projected at 4.0%. Various factors contributed to this slowdown some of which were anticipated while others were not. The advanced economies of the West were affected by subdued private demand, high indebtedness and banking sector problems particularly in the euro zone area resulting in high unemployment. Other unanticipated one-time events such as the Great East Japan earthquake and Tsunami as well as the spreading unrest in the Middle East and North Africa and the related surge in oil prices also impacted negatively on growth. [1]

Several emerging and developing economies posted reasonably good growth but with considerable variations across regions. Crisis hit economies of East and Central Europe and the Commonwealth of Independent States experienced a fairly strong increase in economic activity, helped in the latter by buoyant commodity prices. Surging commodity prices also propelled Latin America to high growth rates. In summary the emerging economies which include China and India are expected to grow by 6.4%.[1]

Sub Saharan Africa continued to expand at a robust pace and is projected to grow by 5.2% .1 Despite the unrest in the Middle East and North Africa, strong revenues from oil boosted the economies of the oil exporting nations. Generally much of the growth was attributed to higher commodity prices, accommodative policy measures, increased exports, tourism and capital inflows.[1]

The World Economic Outlook (WEO) projections indicate that global growth will moderate to about 4% through to 2012, from the 5.1% in 2010.[1]

The Kenyan economy continued to perform favourably despite the challenges arising from high fuel prices and unfavourable weather conditions. Inadequate and delayed rainfall in the early part of the year negatively impacted agricultural production with coffee and tea production declining by 11.8% and 3.6%, respectively2. The generation of hydro-electric power was also negatively impacted leading to a rise in the cost of energy due to the increased reliance on diesel dependent Independent Power Producers. The economy showed signs of resilience in the first half of 2011 and with the ongoing public investment in transport and ICT infrastructure the economy is expected to remain resilient.[2]

Inflation continued to rise to double digit levels and came close to the 20% mark in the month of November 2011. Much of the inflationary pressure experienced in most of 2011 was attributed to supply side factors, particularly food and fuel.[2]

In order to tame rampant inflation and the continued weakening of the Kenya shilling, the Monetary Policy Committee reviewed upwards the Central Bank Rate (CBR) by 400 basis points from 7% to 11%[2] in the month of October, by a further 550 basis in early November to 16.5% and again by 150 basis points to 18% at the end of November 2011. It is hoped that this upward adjustment will not significantly suppress the supply of bank credit to the extent that it diminishes the demand for private sector investment and in the process compromises economic growth.

CHAIRMAN'S STATEMENT (continued)

Global Trends in Agriculture

The global trends in agriculture over the last five years indicate a very delicate situation. Occurrence of weather related supply shocks have resulted in rapid price movements demonstrating that agriculture remains susceptible to extreme volatility. Agricultural commodity prices have experienced considerable volatility in recent years starting with the price surge of 2007-08. The year 2010 saw the prices return to less volatile trends but only up to mid 2010 when commodity prices again started showing increased volatility.

Severe drought in Russia, Ukraine and Kazakhstan led to a 5% decline in world production of wheat, the largest fall since 1991. Maize yields in the Unites States were negatively affected by hot and wet summer. Floods in Pakistan and other parts of Asia saw declining rice harvests which impacted regional markets. Wheat and coarse grain prices surged to the high levels of 2008 by early 2011. Consequently, the developments in the cereals markets also impacted other food commodities, such as meat with higher feed costs contributing to price increases.

Higher prices for commodities are being passed through the food chain, leading to rising consumer price inflation in most countries. This raises concerns for economic stability and food security in some developing countries, with poor consumers most at risk of malnutrition.3 According to the Food and Agriculture Organisation (FAO), the current market context presents a scenario where price volatility could remain a feature of agricultural markets, and coherent policies are required to both reduce volatility and limit its negative impacts. The key solution to the problems are to boost investment in agriculture, with action focusing mainly on smallholders in low-income food-deficit countries, and to reinforce rural development in developing countries, where around 98% of the hungry people live and where population is expected to increase by 47% over the next decade.

Global Tea Trends

The global tea industry has in the past four years seen rising prices attributed to increased demand from Asia. In 2008 global tea prices rose over 30% against the previous year and then a further 15% rise in 2009. Tea is the national drink of the Asian countries and as their respective economies grow so does tea consumption. Indications are that growth in the global consumption in Asia has buoyed the prices despite a steady rise in the global crop production over the period as follows: 2008(3,865mkgs), 2009(3,936mkgs), 2010(4,002mkgs), 2011(4,098mkgs-estimate). Tea consumption in the West has however remained nearly static.

The emerging trends seem to have set new levels in tea prices globally and with the shortage of usable land for tea farming and steady urbanization in Asia, tea production is not likely to keep pace with ever increasing demand and this is likely to result in a trend of increasing prices going forward.

In 2011, overall global tea production is expected to drop following dry weather conditions in Kenya and other African Tea producing countries during the first four months of the year. It is expected that tea production in Kenya, the world's largest tea exporter of the black variety of teas, may decline by 8.5%. Actual output through to September 2011 fell to 259.8 Million Kgs from 289.5 Million Kgs the previous year (10% drop). Full year 2011 output is expected to fall to 365 Million Kgs from 399 Million Kgs in 2010.

On the other hand, India's tea production rose by 6.4% to 491.5Million Kgs between January and July 2011. However persistent rainfall in the tea growing areas of South India between August and September may bring down the estimated production for the current year. Pakistan, another large producer, still remains a net importer of tea.[4]

Overall outlook is that average tea prices are expected to remain firm due to diminished global production.[4]

CHAIRMAN'S STATEMENT (continued)

National Tea Trends

Tea Board of Kenya statistics for the months of January to September 2011 indicate the following trends:

- Cumulative production was lower by 10.2% from 289.4 Million Kgs recorded during the same period of last year to 259.7 Million Kgs.
- The Average price was higher at USD 3.03 per Kg compared to USD 2.75 for the same period in 2010.
- Cumulative export volumes were lower by 6% from 336.6 Million Kgs exported during the same period of last year to 315.3 Million Kgs this year. This was due to lower production.
- Local tea consumption remained steady at about 14 Million Kgs.
- Month on month production for 2011 was lower than last year for the months of January to June Production improved during the months of July, August and September.

Lower production is attributed to the impact of hot and dry weather conditions coupled with depressed rainfall conditions experienced in the first half of the year. It does seem that the domestic market is not fast growing and this can be attributed to the competition from other beverages and especially fizzy drinks and juices. The export market will thus continue to be the leading source of business.

Global Coffee Trends

World Coffee exports in coffee year 2010/2011(October 2010 – September 2011) increased by 9.4% to 103.1 million bags – a historical record volume – compared to 94.3 million bags in the previous year. Of these exports Arabica Coffee accounted for 65% (66.6 million bags) while Robusta was 35% (36.6 million bags).[5]

The increase is attributed to good growing conditions in most coffee growing regions of the world.

Despite the increase in production volumes, the prices were firm, buoyed by strong demand mainly in the urbanized economies of the west. It is expected that demand for coffee is likely to keep growing and hence likely to result in firm prices going forward.

National Coffee Trends

The Kenya's Coffee production has been on a worrying downward trend.

- There has been a decline in the volume of coffee sales from 28,202 Metric Tonnes for the period January to August 2010 to 19,624 Metric Tonnes, for the same period in 2011, representing a 30% dip6.
- Average prices at the Nairobi Coffee Exchange assumed a downward trend but remained markedly above the previous year's prices. The average price for the period January to August 2011 was USD 6.61/Kg compared to USD 3.91/Kg for the same period in 2010, and stood at USD 8.40/Kg at the beginning of 2011.[6]
- The area under coffee now stands at 150,000 ha from a one time high of 170,000 ha.

The declining national production situation is as a result of certain factors, chief among them being the abandoning of growing of coffee by a large number of smallholder growers due to declining coffee prices during the period 1990 to 2000 unfavourable weather conditions and also the escalating land prices in some of the main coffee growing areas around Nairobi which are being transformed into real estate developments.

CHAIRMAN'S STATEMENT (continued)

For Kenya coffee to reclaim its original glory, a lot needs to be done at policy making level and most importantly, initiatives that will attract more growers. We are happy to note that as a first step, the Coffee Board of Kenya in, 2010, launched a branding initiative dubbed "Coffee Kenya" to accord the Kenya coffee distinctiveness in the world market. Further efforts would require refocusing of the industry to tap the specialty coffee markets and enjoy the attractive premiums offered by this market sector. This would entail international certifications, enhancement of quantity and quality, and consistency in characteristics and tastes.

Group Performance

Overview

In the Financial Year ended 30 September 2011, the Group recorded improved profitability on the back of better price realizations, a weakening of the Kenya shilling and improved efficiencies. The Group was however adversely affected by the drought experienced in the early part of 2011 which resulted in reduced production levels for both Tea and Coffee.

The Group ended the year with a profit arising from operating activities of Kshs 387.5 million compared to Kshs 352.5 million in the previous year. This represents an increase of 10%.

Tea Production

During the year, our factories produced 9,042 Tons of made tea out of which 6,035 Tons was from own estates compared to 9,166 tons (Own estates 6,444 tons) in the previous year. As i had stated above, the volume produced was adversely affected by the drought experienced in the first three months of 2011.

Average prices realized for tea was Kshs 189/kg compared to Kshs 170/kg in the previous Financial Year.

Coffee Production

During the year, our estates produced 863 Tons of Coffee. This is lower than the previous year's production of 1,106 Tons. This reduction is attributed to the drought experienced during the first three months of 2011.

Our performance at the Nairobi Coffee Exchange was impressive. Our subsidiary company Aristocrats Coffee and Tea Exporters Ltd, who are our commercial marketing arm, presented for sale 5,913,853 kg of coffee at the Auction during the coffee year 2010/2011, which represents 17.56% of the total coffee volume offered for sale at the Auction during the period. This was lower than the previous year's volume of 8,144,876 kg. The average price for the year 2010/2011 of Kshs 618/kg was however higher than the average price of Kshs 392/kg the previous year.

As part of our performance improvement initiatives, we have embarked on diagnostic analysis of the nutrient levels in our coffee farms aimed at ultimately designing an optimal soil nutrient application plan to maximize production at the estate level.

Dairy and Horticulture

Our Dairy unit's herd stood at 270 Holstein Friesian cattle as at the 30th September 2011. Our milk processing plant was commissioned in 1997 and continues to process pasteurized milk and yoghurt while a significant quantity is offered for sale.

CHAIRMAN'S STATEMENT (continued)

Due to enhanced breeding and selection techniques, our farms are now renowned for prize winning cattle that have always won top awards in the Nyeri Agricultural Show and Nairobi International Trade Fair events over the years. All our dairy products have attained the Diamond Mark of Quality from the Kenya Bureau of Standards. We continue to expand our Horticulture Unit and have increased the acreage under drip irrigation. We expect to reap the fruits of this investment in the future through uniform annual production and cost effective use of water.

Strategic initiatives

I am delighted to report that the projects envisaged in our diversification strategy have by and large continued to take root and are making positive contributions to our revenue streams.

The Coffee Mill, which is in its fifth year of existence, is currently one of the top rated Mills in the country. During the year 2011 the Mill processed 7,931 tonnes of parchment coffee. Milling and Marketing revenues generated from this operation boosted the Group's results.

During the financial year ended 30 September 2011, Sasini Coffee division successfully applied for and was awarded funding by the Energy and Environment Partnership Programme (EEP Programme) for the development of a Micro-Hydro Power Generation project and a Coffee Husks Briquetting project. The EEP Programme is an initiative funded by the Governments of Finland and Austria and hosted by the Development Bank of South Africa and its primary aim is to contribute to the global effort for eradicating poverty through economical, social and ecologically sustainable development projects. The projects are part of Sasini's strategic thrusts to seek renewable sources of energy to enhance business efficiency and environmental sustainability.
The Savanna Lifestyle coffee lounges continue to expand in line with our diversification strategy. Currently, there are seven outlets within the environs of Nairobi located at: Sasini House - Loita Street, Cameo Cinema Building - Kenyatta Avenue, General Accident House - Ralph Bunche Road Upperhill, National Museums of Kenya, United Nations recreation Centre Gigiri, Sameer Business Park- Mombasa Road and the newest at the Ridgeways Mall on Kiambu Road. The growth of this segment of our business represents our commitment to ongoing value addition along the agricultural value chain.

Our value added retail coffee and tea continue to be marketed in the domestic market. We have added two more products in our range of offerings, namely, Kahawa Bamba in coffee brands and Sasini Premium in tea brands to augment our other existing brands.

CHAIRMAN'S STATEMENT (continued)

Acknowledgement

I wish to express my gratitude to Sasini Management and staff for their commitment to the Company. I would also like to thank my colleagues on the Board for their continued unwavering support.

Finally, on behalf of the Board, I wish to thank you, our esteemed shareholders for the trust bestowed upon us as your representatives.

Dr. J. B. McFie
Chairman

9th December 2011

1. IMF – World Economic Outlook 2011
2. Central Bank of Kenya – September 2010 Monthly Economic Review + Weekly Bulletin October 2011
3. Organisation for Economic Co-operation and Development and Food and Agriculture Organisation
4. Tea and Coffee Journal – October 2011
5. International Coffee Organisation – Coffee Market Report
6. Kenya National Bureau of Statistics – Leading Economic Indicators –August 2011

TAARIFA YA MWENYEKITI

Uchumi Wa Kilimwengu Na Kitaifa

Mwaka wa 2010 ulishuhudia uchumi wa ulimwengu kupata tena ukuaji wa kiuchumi wa zaidi ya asilimia 5.1. Hili hasa lilitokana na kupunguza viwango wa vya ziada, sera za kimarekebisho, maimariko katika imani ya biashara, hali za kifedha na matumizi. Ijapokuwa, mzunguko thabiti wa kurudi nyuma katika uzalishaji wa viwanda na biashara haukutarajiwa kuendelea.[1]

Mwaka wa 2011 ulipitia kupunguka kwa kawaida na ukuaji wa kiuchumi unatarajiwa kuwa asilimia 4.0. Vipengele tofauti vimechangia katika kupunguka huku baadhi yavyo vilitarajiwa hali vingine havikutarajiwa. Chumi zilizoendelea za Magharibi ziliathiriwa na mahitaji ya kibinafsi ya polepole, hali kuu ya kudaiwa na matatizo katika sekta ya benki hasa katika eneo maalum la yuro lililosababisha ukosefu mkuu wa kazi. Matokeo mengine ya mara moja ambayo hayakutarajiwa kama vile mtetemeko mkuu wa ardhi wa Japan Mashariki na Tsunami na pia misukosuko ilioenea katika Mashariki ya Kati na Afrika Magharibi na ongezeko lililohusika katika bei za mafuta pia liliathiri ukuaji vibaya.[1]

Chumi kadhaa zinazoibuka na zinazoendelea zilipata ukuaji mzuri kiasi lakini zikiwa na tofauti kubwa katika maeneo. Chumi zilizokumbwa na matatizo za Mashariki na Europa ya kati na jumuiya ya madola ya mataifa huru zilipata ongezeko thabiti kiasi katika shughuli ya kiuchumi, zilizosaidiwa karibuni na bei za bidhaa zilizoongezeka. Bei za bidhaa zilizoongezeka pia zilisukuma Amerika ya Kusini kuwa na viwango vya ukuaji vya juu. Kwa muhtasari chumi zinazoibuka ambazo ni pamoja na Uchina na India zinatarajiwa kukua kwa asilimia 6.4 .[1]

Afrika chini ya Sahara iliendelea kupanuka kwa kasi imara na inatarajiwa kukua kwa asilimia 5.21. Dhidi ya vurugu katika Mashariki ya Kati na Afrika Magharibi, mapato imara kutoka kwa mafuta yalisaidia chumi za mataifa yanayosafirisha nje mafuta. Kwa jumla mwingi wa ukuaji huo ulitokana na bei za juu za bidhaa, hatua za sera za kimarekebisho, ongezeko la biasharanje, utalii na kuletwa kwa fedha.[1]

Matarajio ya Mtazamo wa Uchumi wa ulimwengu yanaonyesha kuwa ukuaji wa ulimwengu utakuwa wa wastani wa kama asilimia 4 kufikia 2012, kutoka ule wa asilimia 5.1 mwaka 2010.[1]

Uchumi wa Kenya uliendelea kufanya vizuri dhidi ya changamoto zilizotokana na bei za juu za mafuta, na hali zisizofaa za anga. Mvua isiotosha na iliochelewa katika sehemu ya kwanza ya mwaka iliathiri vibaya uzalishaji wa kilimo na uzalishaji wa kahawa na chai ukipungua kwa asilimia 11.8 na 3.6 mtawalia. Uzalishaji wa umeme kwa nguvu za maji pia uliathiriwa vibaya ukisababisha ongezeko katika gharama za nguvu kutokana na tegemeo lililoongezeka kwa wazashalishaji huru wa nguvu za dizeli. Uchumi ulionyesha dalili za kurudia hali ya awali katika nusu ya kwanza ya 2011 na uekezaji wa umma unaoendelea katika muundomsingi wa usafirishaji na teknolojia ya habari na mawasiliano unatarajiwa kubakia katika hali ya awali.

Mfumko wa bei uliendelea kupanda kuwa viwango vya tarakimu zaidi ya kumi na ulikaribia kiwango cha asilimia 20 katika mwezi wa Novemba 2011. Msukumo zaidi wa mfumko wa bei ulitokana na vipengele vya upande wa ugavi,hasa chakula na mafuta.[2]

Ili kudhibiti mfumko uliotapakaa wa bei na kuendelea kudhoofika kwa shilingi ya Kenya, Kamati ya Sera ya Kifedha iliangalia upya na kuongeza kiwango cha Benki ya Kitaifa kwa pointi 400 za kimsingi kutoka asilimia 7 hadi asilimia 11[2] katika mwezi wa Oktoba, na zaidi kwa pointi 550 za kimsingi mapema Novemba kuwa asilimia 16.5 na tena kwa pointi 150 za kimsingi kuwa asilimia 18 mwishoni mwa Novemba 2011.

TAARIFA YA MWENYEKITI

Inatarajiwa kuwa marekebisho haya ya juu hayatolemaza kwa kiasi kikubwa ugavi wa mikopo ya benki kwa hali ambayo itapunguza mahitaji ya uekezaji wa sekta ya kibinafsi na katika hali hiyo kutia hatarini ukuaji wa kiuchumi.

Mielekeo ya Kilimwengu ya Kilimo

Mielekeo ya kilimwengu katika kilimo katika miaka mitano ya nyuma inaonyesha hali dhaifu sana. Matokeo ya mishtuo ya ugavi yanayohusiana na hali ya anga yamesababisha mageuzi ya haraka ya bei yakionyesha kuwa kilimo kinabakia kuathirika kwa urahisi na kugeuka kwa haraka. Bei za bidhaa za kilimo zimebadilika kwa kiasi katika miaka ya karibuni ikianza na ongezeko la bei la 2007-08. Mwaka 2010 ulishuhudia bei zikirejea kwa mielekeo isiokuwa ya kugeuka sana lakini mpaka tu katiya 2010 ambapo bei za bidhaa zilianza tenakuonyesha kuongezeka kwa kugeuka.

Ukame mkuu katika Russia, Ukraine na Kazakhstan ulisababisha kupungua kwa asilimia 5katika uzalishaji wa ngano wa ulimwengu, upungufu mkuu zaidi kutoka mwaka 1991. Mazao ya mahindi katika Amerika yaliathiriwa vibaya na msimu wa sama ya joto na mvua. Mafuriko nchini Pakistan na sehemu nyingine za Asia yalisababisha kupungua kwa mavuno ya mchele yalioathiri masoko ya eneo. Bei za ngano na nafaka za chenga chenga ziliongezeka kwa viwango vya juu vya mwaka 2008 kufikia mapema mwaka 2011. Hivyo, maendeleo katika masoko ya nafaka pia yaliathiri bidhaa nyingine za chakula kama vile nyama kutokana na gharama za juu zaidiza malisho zikichangia ongezeko la bei.

Bei za juu za bidhaa zinapitishwa katika mfuatano wa mlishano zikisababisha kuongezeka kwa mfumko wa bei za mnunuzi katika karibu nchi zote. Hili linazusha wasiwasi wa uthabiti wa kiuchumi na usalama wa chakula katika baadhi ya nchi zinazoendelea, na wanunuzi maskini wakiwa katika hatari kuu ya utapiamlo.3 Kulingana na Shirika la Chakula na Kilimo, muktadha wa sasa unatoa picha ambayo mabadiliko ya bei yanaweza kubakia kama sehemu muhimu ya masoko ya kilimo na sera za kufungamana zinahitajika kupunguza zote kugeuka na kudhibiti athari zake hasi. Suluhisho muhimu la matatizo ni kuimarisha utega uchumi katika kilimo na kuzidisha maendeleo ya mashambani katika nchi zinazoendelea, ambako karibu asilimia 98 ya watu wenye njaa huishi na ambapo idadi ya watu inatarajiwa kuongezeka kwaasilimia 47 katika miaka kumi ijayo.

Mielekeo ya Kilimwengu ya Chai

Biashara ya chai ya kilimwengu katika miaka minne iliopita imeongezeka kibei kutokana na kuongezeka kwa mahitaji kutoka Asia. Katika 2008 bei za chai za ulimwenguziliongezeka kwa zaidi ya asilimia 30 dhidi ya mwaka uliopita na tena kwa ongezeko zaidi la asilimia 15 katika 2009. Chai ndiyo kinywaji cha kitaifa katika nchi za Asia na kadiri chumi zao zinavyokua ndivyo hivyo utumizi wa chai. Ishara ni kuwa ukuaji wa kuendelea unaowezekana katika utumizi wa kilimwengu katika Asia umeinua bei dhidi ya ongezeko thabiti katika uzalishaji wa kilimwengu wa mazao katika kipindi kama inavyofuata: 2008 (mkgs 3865), 2009 (mkgs 3936), 2010 (mkgs 4002), 2011 (mkgs 4098-kadirio). Ijapokuwa utumizi wa chai Magharibi umebakia karibu huo huo.

Mielekeo inayojitokeza inaonekana kuweka viwango vipya katika bei za chai ulimwenguni na ukosefu wa ardhi inayoweza kutumika kwa upanzi wa chai na kuanzisha kwa miji kunakoimarika Asia , uzalishaji wa chai hautoweza kwenda sambamba na mahitaji yanayoongezeka daima na hili linaweza kusababisha mwelekeo wa bei zinazoongezeka kuendelea.

TAARIFA YA MWENYEKITI

Katika mwaka 2011, uzalishaji jumla wa chai wa ulimwengu unatarajiwa kupungua kufuatia hali kavu za hewa nchini Kenya na nchi nyingine za kiafrika zinazozalisha chai katika miezi minne ya kwanza ya mwaka. Inatarajiwa kuwa uzalishaji wa Kenya, ikiwa msafirishaji mkuu kabisa wa kilimwengu wa aina nyeusi za chai unaweza kupungua kwa asilimia 8.5. Uzalishaji hasa wa muda kufikia September 2011 ulipungua kuwa Kgs Milioni 259.8 kutoka Kgs Milioni 289.5 mwaka uliopita (upungufu wa asilimia 10). Uzalishaji wa mwaka mzima wa 2011 unatarajiwa kuanguka kuwa Kgs Milioni 365 kutoka Kgs Milioni 399 katika mwaka 2010.

Kwa upande mwengine, uzalishaji chai wa India uliongezeka kwa asilimia 6.4 kuwa Kgs Milioni 491.5 baina ya Januari na Julai 2011. Ijapokuwa mvua zinazoendelea katika maeneo ya upandaji chai ya India Kusini baina ya Agosti na Septemba yanaweza kupunguza uzalishaji unaokadiriwa wa mwaka huu. Pakistan, mzalishaji mwengine mkubwa, bado inabakia kuwa mwagizaji halisi wa chai.[3]

Mtazamo wa jumla ni kuwa bei za wastani za chai zinatarajiwa kubakia imara kutokana na kupunguka kwa uzalishaji wa ulimwengu.[4]

Mielekeo ya Kitaifa ya Chai

Tarakimu za miezi Januari hadi Septemba za Halmashauri ya Chai ya Kenya zinaonyesha mielekeo inayofuata:

- Mazao ya kulimbikiza yalikuwa chini kwa asilimia 10.2 kutoka Kgs Milioni 289.4 yaliyorekodiwa katika kipindi kama hiki cha mwaka uliopita kuwa Kgs Milioni 259.7.
- Bei ya wastani ilikuwa juu ikiwa USD 3.03 kwa kilo ikilinganishwa na USD 2.75 ya kipindi hicho katika mwaka 2010.
- Viwango vya malimbikizo ya usafirishajinje vilikuwa chini kwa asilimia 6 kutoka Kgs Milioni 336.6 zilizosafirishwa katika kipindi hicho cha mwaka jana kuwa Kgs Milioni 315.3 mwaka huu. Hili lilitokana na uzalishaji uliopungua.
- Utumizi wa chai nchini ulibakia madhubuti wa kama Kgs Milioni 14.
- Uzalishaji wa mwezi kwa mwezi wa mwaka 2011 ulikuwa chini kuliko mwaka uliopita kwa miezi ya Januari hadi Juni.Uzalishaji uliimarika katika miezi ya Julai, Agosti na Septemba.

Uzalishaji uliopungua unatokana na athari za joto na ukavu wa hali za hewa pamoja na hali za mvua zilizopungua zilizotokea katika nusu ya kwanza ya mwaka. Inaonekana kuwa soko la nchini halikui haraka na hili linaweza kuwa linatokana na mashindano kutoka kwa vinywaji vingine na hasa vinywaji vya kutoa povu na maji ya matunda.Soko la usafirishajinje hivyo litaendelea kuwa njia inayoongoza ya biashara.

Mielekeo ya Kilimwengu ya Kahawa

Usafirishajinje wa kahawa wa kilimwengu katika mwaka wa kahawa 2010/2011 (Oktoba 2010–Septemba 2011) uliongezeka kwa asilimia 9.4 kuwa magunia milioni 103.1– kiwango cha rekodi ya kihistoria –kikilinganishwa na magunia milioni 94.3 katika mwaka uliopita. Katika usafirishajinje huu kahawa ya Arabica ilikuwa asilimia 65 (magunia milioni 66.6) hali Robusta ikiwa asilimia 35 (magunia milioni 36.6).[5]

Ongezeko linatokana na hali nzuri ya ukuzaji katika karibu maeneo yote ya ukuzaji kahawa ya ulimwengu.

Juu ya ongezeko katika viwango vya uzalishaji, bei zilikuwa thabiti, zikiimarishwa na mahitaji makuu hasa katika chumi za Magharibi zinazoanzisha miji. Inatarajiwa kuwa mahitaji ya kahawa yataelekea kuendelea na hivyo kuweza kusababisha bei thabiti kuendelea.

TAARIFA YA MWENYEKITI

Mielekeo ya Kitaifa ya Kahawa

Uzalishaji wa kahawa wa Kenya umekuwa wa mwelekeo wa kupungua wa kutia wasiwasi.

- Kumekuwa na kupungua katika viwango vya mauzo ya kahawa kutoka Tani Metriki 28,202 katika kipindi cha Januari hadi Agosti 2010kuwa Tani Metriki 19,624 kwa kipindi hicho hicho katika 2011, ikiwasilisha upungufu wa asilimia 30.[6]
- Bei za wastani katika soko la kahawa la Nairobi zilichukua mwelekeo wa kupungua lakini zilibakia juu ya kima cha bei za mwaka uliopita. Bei ya wastani ya kipindi cha Januari hadi Agosti 2011ilikuwa USD 6.61/Kg ikilinganishwana USD 3.91/Kg kwa kipindi kama hicho katiko 2010 na ilikuwa USD 8.40/Kg mwanzoni mwa 2011.[6]
- Eneo lililopandwa kahawa kwa sasa ni 150,000 ha kutoka 170,000 ha ilivyo kuwa wakati moja.

Hali ya uzalishaji unaopungua wa kitaifa inatokana na hali fulani, kuu miongoni mwao ikiwa kutupiliwa mbali kwa ukuzaji wa kahawa na idadi kubwa ya wakuzaji wa viwango vidogo kutokana na kupungua kwa bei za kahawa katika kipindi cha 1990 hadi 2000 hali mbaya za hewa na pia bei zinazoongezeka za ardhi katika baadhi ya maeneo muhimu ya ukuzaji wa kahawa karibu na Nairobi ambayo yanageuzwa kuwa maeneo ya ujenzi wa nyumba.

Kwa kahawa ya Kenya kupata sifa yake ya asili, mengi yanahitaji kutekelezwa katika kiwango cha utayarishaji sera na hasa zaidi,juhudi zitakazovutia wapanzi zaidi. Tuna furaha kutaja kuwa kama hatua ya kwanza, Halmashauri ya Kahawa ya Kenya mwaka katika mwaka 2010, ilianzisha juhudi ya kutambulisha iliojulikana ‘Kahawa Kenya’ kuipa upekee kahawa ya Kenya katika soko la ulimwengu. Juhudi zaidi zitahitaji kulenga upya kwa biashara hii ili kupata masoko maalum ya kahawa na kupata faida za kuvutia zinazotolewa na sekta hii ya soko. Hii itamaanisha kupata kibali cha kutambuliwa kimataifa, kuimarisha idadi na ubora, na uthabiti katika sifa na ladha.

Utendaji wa Kundi

Mtazamo wa Jumla

Katika mwaka wa kifedha ulioisha tarehe 30 Septemba 2011, kundi lilirekodi faida iliyoongezeka juu ya bei bora zilizopatikana, kudhoofika kwa shilingi ya Kenya na utendaji bora ulioimarika.Ijapokuwa kundi liliathiriwa sana na ukame uliotokea katika sehemu ya mwanzo ya 2011 uliosababisha kupunguka kwa viwango vya uzalishaji vya zote chai na kahawa.

Kundi lilimaliza mwaka na faida ya kuendesha kazi baada ya kodi ya Kshs. milioni 387.5 ikilinganishwa na milioni 352.5 katika mwaka uliopita. Hii inawasilisha ongezeko la asilimia 10.

Uzalishaji Chai

Katika mwaka, viwanda vyetu vilizalisha tani 9,042 za chai iliotengenezwa ambazo tani 6,035 zilikuwa kutoka kwa mashamba yetu, ikilinganishwa na tani 9,166 katika mwaka uliopita (mashamba yetu 6,444). Kama nilivyosema hapo juu, kiwango kilichozalishwa kiliathiriwa sana na ukame uliotokea katika miezi mitatu ya kwanza ya 2011.

Bei za wastani zilizopatikana za chai ilikuwa Kshs 189/Kg ikilinganishwa na Kshs 170 /Kg katika mwaka uliopita wa kifedha.

TAARIFA YA MWENYEKITI

Uzalishaji Kahawa

Katika mwaka, mashamba yetu yalizalisha tani 863 za kahawa. Hiki ni chini ya uzalishaji wa mwaka uliotangulia wa tani I,106. Upungufu huu unatokana na ukame uliotokea katika miezi mitatu ya mwanzo ya 2011.

Utendaji wetu katika soko la kahawa la Nairobi ulikuwa wakuvutia. Kampuni yetu ndogo ya Aristocrats Coffee and Tea Exporters Ltd,ambayo ndio sehemu yetu ya uuzaji wa kibiashara, iliwasilisha Kg. 5,913,853 za kahawa kuuzwa katika mnada katika mwaka 2010/2011 wa kahawa,inayowakilisha asilimia 17.56 ya kiwango cha jumla cha kahawa kilichotolewa kuuzwa katika mnada katika kipindi hicho. Hiki kilikuwa chini ya kiwango cha mwaka uliotangulia cha Kg. 8,144,876. Bei ya wastani ya mwaka 2010/2011 ya Kshs 618/kg ijapokuwa ilikuwa juu zaidi ya bei ya wastani ya Kshs 392/kg mwaka uliopita .

Kama sehemu ya mikakati ya uimarishaji wa utendaji wetu, tumeanza kuchanganua viwango vya virutubishi katika mashamba yetu ya kahawa ikilengwa hatimaye kuunda mpango wa utumizi wa virutubishi vya mchanga vya kufaa kabisa kuzidisha uzalishaji katika kiwango cha shamba.

Shughuli za Maziwa na Kilimo cha Bustani

Kitengo chetu cha kundi la ng'ombe wa maziwa walikuwa 220 wa Holstein Friesian kufikia tarehe 30 Septemba 2011. Mtambo wetu wa kutengeneza maziwa ulianzishwa mwaka 1997 na unaendelea kutengeneza maziwa yalioondolewa vidudu na mtindi hali idadi kubwa ikiuzwa.

Kutokana na ufugaji na njia za uteuzi zilioimarishwa, mashamba yetu sasa yanajulikana sana kwa ng'ombe wa kushinda zawadi ambao mara zote wameshinda tuzo za juu katika matukio ya maonyesho ya kilimo ya Nyeri na maonyesho ya kibiashara ya kitaifa ya Nairobi katika miaka tofauti. Bidhaa zetu zote za maziwa zimepata alama ya kashata ya ubora kutoka kwa Shirika la Viwango na Vipimo la Kenya.

Tunaendelea kupanua kitengo chetu cha kilimo cha bustani na tumeongeza eneo la upanzi lililochini ya unyunyizaji wa kutona. Tunataraji kufaidika kutokana na utegaji uchumi huu katika siku za usoni kupitia uzalishaji sawa kila mwaka na gharama muafaka za utumizi wa maji.

Juhudi za Kimkakati

Nina furaha kuripoti kuwa miradi iliofikiriwa katika mkakati wetu wa kupanua biashara imeendelea kwa ujumla kupanuka na inachangia vizuri katika mielekeo yetu ya mapato.

Kinu cha kusagia kahawa ambacho kiko katika mwaka wake wa tano, sasa ni kimoja kati ya vinu vinavyothaminiwa sana katika nchi.Katika mwaka 2011, kinu kilisaga tani 7,981 za kahawa iliokaushwa. Mapato ya kusaga na kuuza yaliopatikana kutoka kwa shughuli hii yaliinua matokeo ya Kundi.

Katika mwaka wa kifedha ulioishia tarehe 30 Septemba 2011, kitengo cha kahawa cha Sasini kiliomba na kufaulu kupata ufadhili wa Mpango wa Usaidizi wa Nguvu na Mazingira kwa maendelezi ya mradi mdogo wa uzalishaji nguvu zinazoendeshwa na maji na mradi wa kutengeneza matofali ya maganda ya kahawa. Mradi wa Usaidizi wa Nguvu na Mazingira ni juhudi inayofadhiliwa na serikali za Finland na Austria na unaohusika na Benki ya Maendeleo ya Afrika Kusini na lengo lake kuu ni kuchangia katika juhudi ya kilimwengu ya kumaliza umaskini kupitia miradi ya kimaendeleo ya kiuchumi, kijamii na kiikoloji inayokubalika.

TAARIFA YA MWENYEKITI

Miradi hiyo ni sehemu ya misukumo ya kimkakati ya Sasini kutefuta vyanzo vinavyoweza kutengeneza upya nguvu kuendeleza ufaafu wa biashara na mazingira yanayokubalika.

Mikahawaya mtindo wa maisha ya Savanna inaendelea kupanuka kufuatana na mkakati wetu wa upanuzi. Kwa sasa, kuna mikahawa saba katika maeneo ya Nairobi iliopo: Sasini House – barabara ya Loita, Jumba la cinema la Cameo – katika barabara ya Kenyatta, General Accident House, – Barabara ya Ralph Bunche Upperhill, Makavazi ya Kitaifa ya Kenya, Kituo cha mapumziko cha Umoja wa Mataifa Gigiri, eneo la biashara la Sameer barabara ya Mombasa na mpya zaidi katika Jumba la Ridgeways barabara ya Kiambu. Ukuajiwa kitengo hiki cha biashara yetu kinawakilisha kujitolea kwetu katika kuongeza thamani kunakoendelea katika mkururo wa thamani ya kilimo.

Kahawa na chai rejareja iliyoongezewa thamani zinaendelea kuuzwa katika soko la nchini. Tunaongeza bidhaa mbili zaidi katika bidhaa anuwai tunazotoa, kwa majina Kahawa Bamba katika chapa za kahawa na Sasini Premium katika chapa za chai kuongezea chapa zetu zingine zilizopo.

Shukrani

Ningependa kutoa shukurani zangu kwa Usimamizi wa Sasini na wafanyikazi kwa kujitolea kwao kwa Kampuni. Ningependa pia kuwashukuru wenzangu kwenye Halmashauri kwa usaidizi wao usioteteleka wa kuendelea.

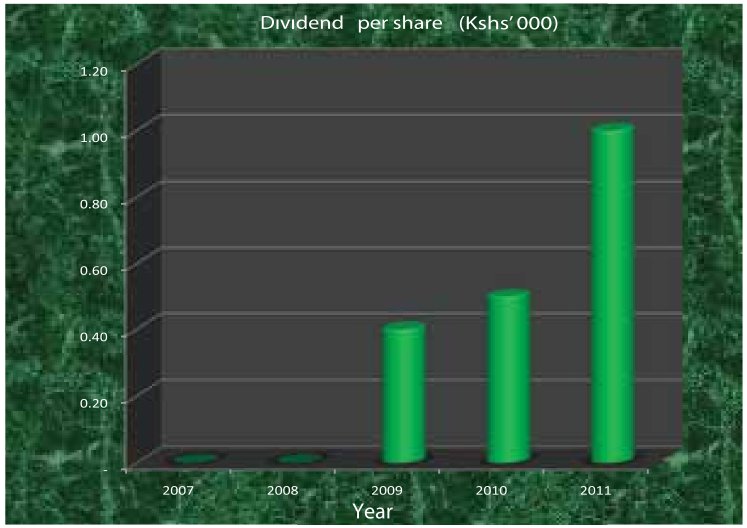
Hatimaye, kwa niaba ya Halmashauri, ningependa kuwashukuru nyinyi, wenye hisa wetu wa heshima kwa imani mliotupa kama wawakilishi wenu.

Dkt. J. B. McFie
Mwenyekiti

Desemba 9 2011

1. IMF – Mtazamo wa Ulimwengu wa Uchumi 2011
2. Benki Kuu ya Kenya – Mapitio ya Kiuchumi ya mwezi wa Septemba 2010 + Taarifa ya Wiki Octoba, 2011
3. Organization for Economic Co-operation and development and Food and Agriculuture Organization
4. Jarida la Chain a Kahawa – Oktoba 2011
5. International Coffee Organization – Ripoti ya Soko la Kahawa
6. Kenya National Bureau of Statistics – Viashiria vya Kiuchumi Vinvyoongoza – Agosti 2011

GRAPHICAL HIGHLIGHTS



SALIENT FEATURES AND FINANCIAL CALENDAR

	2011 KShs '000	2010 KShs '000
REVENUE	2,665,877	2,297,927
Profit arising from operating activities after tax	387,502	352,553
Gain arising from changes in fair value of biological assets after tax	3,731	628,354
Profit attributable to the members after tax	391,233	980,907
Total Equity	6,762,172	6,489,979

DIVIDEND

An interim dividend of KShs 114,028,000 (2010: KShs 45,611,100) representing KShs 0.50 (50%) (2010: KShs 0.20 (20%)) per share was paid during the year. The directors recommend payment of a final dividend of KShs 114,028,000 (2010: KShs 68,416,650) representing KShs 0.50 (50%) (2010: KShs 0.30 (30%)) per share in respect of the year ended 30 September 2011.

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 84 to 85.

		TEA		COFFEE	
		2011	2010	2011	2010
Area	Hectares	1,464	1,437	912	912
Production -Tonnes	Own	6,035	6,445	863	1,106
	Outgrowers	3,007	2,721		
	Total	9,042	9,166		
Sales - Tonnes	Own	8,761	9,249	908	1,114

Average selling price:

Tea	KShs/Kg	189	170	-	-
Coffee	KShs /Kg	-	-	618	392

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 SEPTEMBER 2011

The directors have pleasure in presenting their report and the audited financial statements for the year ended 30 September 2011 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

	2011 KShs'000	2010 KShs'000
Profit arising from operating activities after tax	387,502	352,553
Dividends		
Paid: Interim 50% (KShs 0.50)(2010: 20% (KShs 0.20)	(114,028)	(45,611)
Proposed: Final 50% (KShs 0.50)(2010:30% (Kshs 0.30)	(114,028)	(68,417)
Total: 100% (Kshs 1.00) (2010: 50% (Kshs 0.50)	(228,056)	(114,028)

EQUITY AND RESERVES

The authorised and issued share capital of the Company at 30 September 2011 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 36 and 37 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 who served during the year are set out on page 1.

In accordance with the Articles of Association, all of the directors retire and being eligible, offer themselves for re-election.

SUBSTANTIAL SHAREHOLDINGS

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

	Shareholding % 2011	2010
Legend Investments Limited	41.84	41.84
Yana Towers Limited	12.13	12.13
East Africa Batteries Limited	7.62	7.62
Gulamali Ismail	5.36	3.98

REPORT OF THE DIRECTORS (continued)
FOR THE YEAR ENDED 30 SEPTEMBER 2011

DIRECTORS' INTERESTS

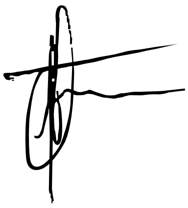
Directors' interests in the shares of the Company as at 30 September 2011 were as follows:

Name of Director	No. of Shares
Mr. P. W. Muthoka	53,800
Mr. A. H. Butt	20,300
Dr. M.J.C. Mwangi	40,600
Mr. S.N. Merali	45,900

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

9 December 2011

RIPOTI YA WAKURUGENZI

Wakurugenzi wana furaha kuwakilisha ripoti yao ya mwaka na taarifa za hesabu zilizokaguliwa za mwaka ulioishia tarehe 30 Septemba 2011 zinazoonyesha hali ilivyo ya Kundi na Kampuni.

SHUGHULI

Shughuli muhimu za Kampuni na kampuni zake tanzu ni ukuzaji na utengenezaji wa majani chai na kahawa, usagaji kahawa wa kibiashara na uuzaji, uongezaji thamani wa bidhaa zinazohusiana, biashara ya misitu, shughuli za maziwa na bidhaa zake, mifugo na kilimo cha bustani.

MATOKEO YA KUNDI NA MGAO WA FAIDA

	2011 Kshs '000	2010 Kshs '000
Faida inayotokana na kuendesha shughuli	387,502	352,553
Mgao wa Faida		
Uliolipwa: Mgao wa muda asilimia 50		
(Kshs 0.50)(2010: Asilimia 20 Kshs 0.20)	114,028	(45,611)
Unaopendekezwa:Mgao wa mwisho asilimia 50		
(Kshs 0.50) (2010: asilimia 30 Kshs 0.30)	114,028	(68,417)
Jumla :Asilimia 100 (Kshs 1.00)(2010: Asilimia 50 Kshs 50)	228,056	(114,028)

RASILIMALI YA HISA NA AKIBA

Rasilimali ya hisa za Kampuni zilizoidhinishwa na kutolewa kufikia tarehe 30 Septemba 2011 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 36 na 37 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 waliohuduma katika mwaka 2011 yanaonyeshwa katika ukurasa wa 1.

Kwa mujibu wa kanuni za kampuni, wakurugenzi wote wanastaafu, na kwa kuwa wana haki, 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 %

	2011	**2010**
Legend Investment Limited	41.84	41.84
Yana Towers Limited	12.13	12.13
East African Batteries Limited	7.62	7.62
Gulamali Ismail	5.36	3.98

USHIRIKA WA WAKURUGENZI

Ushirika wa wakurugenzi katika hisa za Kampuni kufikia tarehe 30 Septemba 2011 ni kama ufuatao:

Jina la Mkurugenzi	**Idadi ya Hisa**
Bw.P.W.Muthoka	53,800
Bw.A.H.Butt	20,300
Dkt. M.J.C. Mwangi	40,600
Bw. S.N. Merali	45,900

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

9 Desemba 2011

CORPORATE GOVERNANCE

Corporate governance is the manner in which the power of, and the power over a company is exercised in the stewardship of its assets and resources so as to enhance and sustain shareholder value while at the same time satisfying the needs and interests of all its stakeholders.

The Group conducts its operations in accordance with recommended 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. In this regard, the Board has adopted a Corporate Governance Framework and a Board Charter consistent with the CMA guidelines.
In November 2011, Sasini was awarded a Champion of Governance Award in the agriculture sector by the Institute of Certified Public Secretariesof Kenya following an independent evaluation of the Company's Governance practices and process. The award recognised that Sasini demonstrates excellence and integrity in its Governance systems, Leadership and Management practices.

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 and it includes committed individuals with diverse and complementary skills to ensure that there is sufficient wealth of experience at Board level. All the directors' appointments are subject to confirmation by shareholders at the Annual General Meeting. All the directors, except the Managing Director, retire by rotation annually and are eligible for re-election at the Annual General Meeting.

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

Board Meetings

Board Meetings are held every quarter and in exceptional circumstances as dictated by 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 ocassionally the External Auditors, attend 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.

CORPORATE GOVERNANCE(continued)

Audit Committee(continued)

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 assit the Board in addressing issues pertaining to remuneration levels, employee development and motivation. It ensures that the appropriate reward mechanisms are in place at all levels of the organisation while maintaining principles of equity and appropriateness. The Committee also oversees the rigorous and transparent process 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 and/or experience possess sufficient expertise to enable the Committee to execute its mandate. .

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 2011 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.

CORPORATE GOVERNANCE(continued)

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 housing, health, educational and recreational facilities to meet the needs of its employees resident on its estates. Maintenance of the facilities is provided to the highest standards and success in this regard has been manifested by the good results achieved in primary schools situated in the Group's estates.

The Group is also concerned with the maintenance of the environment and in this regard it maintains sections of indigenous and non indigenous forests in its tea plantations and shade trees in its coffee plantations. The group has maintained a continuous afforestation program in all areas with idle land. It also maintains natural vegetation in all water catchment areas.

The Group has attained the internationally recognized Rain Forest Alliance (RFA) Certification for its Tea estates and this certification confirms the attainment of minimum standards in relation to ecosystem conservation, wildlife protection, and fair treatment and good working conditions for workers.

In addition the group has attained the UTZ Certification for its coffee operations. This internationally recognized certification is given on fulfilling a code of conduct which tests coffee operations based on three criteria namely good agriculture and business practices, social responsibility and environmental considerations.
The Group not only earns substantial foreign exchange through the export of its produce, but also makes a significant contribution through the payment of taxes, cess and other levies to the Government and Local Authorities in the areas in which it operates.

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.

CORPORATE GOVERNANCE(continued)

Going Concern(continued)

The ten largest shareholders of the Company as at 30 September 2011 were as follows:

No.	Name of Shareholder	No. of Shares	% Shareholding
1	Legend Investments Limited	95,417,345	41.84
2	Yana Towers Limited	27,673,340	12.13
3	East Africa Batteries Ltd.	18,070,500	7.92
4	Gulamali Ismail	12,216,900	5.36
5	Karim Jamal	5,879,841	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	Swani Coffee Estate Limited	1,637,270	0.72
10	Satchu Aly-Khan	1,556,620	0.68

Shareholding (No. of Shares)	No. of Shares Held	No. of Shareholders	% Shareholding
Less than 500	540,101	2,646	0.24
500 - 5,000	5,931,940	4,001	2.60
5,001 - 10,000	3,301,474	507	1.45
10,001 - 100,000	17,285,125	667	7.58
100,001-1,000,000	28,222,387	115	12.38
Above 1,000,000	172,774,473	11	75.75
Total	**228,055,500**	**7,947**	**100.00**

James Boyd McFie.

....

Dr. J. B. McFie
Chairman

....

Dr.M.J.C. Mwangi
Managing Director

9 December 2011

STATEMENT OF DIRECTORS' RESPONSIBILITIES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2011

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.

James Boyd McFie.

....

Dr. J. B. McFie
Chairman

....

Dr.M.J.C. Mwangi
Managing Director

9 December 2011

Ernst & Young
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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, which comprise the consolidated statement of financial position as at 30 September 2011 and the 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 2011, 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 as set out on pages 32 to 83.

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 in the manner required by the Kenyan Companies Act, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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.

Ernst & Young
Certified Public Accountants
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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Group and the Company as at 30 September 2011 and the financial performance and cash flows of the Group and the Company 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

Ernst & Young
Certified Public Accountants (Kenya)

Nairobi

9 December 2011

Other Ofices: Nakuru, Mombasa.

P.M. Kamau, G.G. Karuu, J.K.C.Cheboror, A.S. Gilani, P.N. Anchinga, C.O. Atinda, H.C Wasike, G. Gitahi

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2011

	Note	2011 KShs'000	2010 KShs'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4(a)	2,402,791	2,433,720
Capital work-in-progress	4(c)	21,645	6,392
Other intangible assets	5	29,758	39,791
Biological assets	6(a)	5,743,278	5,327,235
Prepaid leases on leasehold land	7	20,797	21,038
Other investments	9	525	4,229
		8,218,794	7,832,405
CURRENT ASSETS			
Inventories	10	385,614	278,757
Trade and other receivables	11	347,296	319,040
Amounts due from related company	12	1,051	3,451
Tax recoverable	18	20,169	-
Cash and cash equivalents	31	489,103	626,408
		1,243,233	1,227,656
TOTAL ASSETS		9,462,027	9,060,061
EQUITY AND LIABILITIES			
EQUITY AND RESERVES			
Equity attributable to owners			
Share capital	13	228,055	228,055
Non - distributable reserves	14	5,117,135	5,141,681
Distributable reserves	14	1,227,864	983,504
		6,573,054	6,353,240
Non-controlling interest	14	189,118	136,739
TOTAL EQUITY		6,762,172	6,489,979
NON-CURRENT LIABILITIES			
Deferred tax	15	1,847,081	1,444,349
Bank loan	16	56,837	-
Post employment benefits	17	212,502	186,688
Loan notes	19	-	420,000
		2,116,420	2,051,037
CURRENT LIABILITIES			
Post employment benefits	17	10,450	11,040
Tax payable	18	-	2,854
Trade and other payables	20	429,570	367,504
Provisions	21	11,733	12,692
Bank overdraft	22	-	4,955
Bank loan	16	131,682	-
Loan notes	19	-	120,000
		583,435	519,045
TOTAL EQUITY AND LIABILITIES		9,462,027	9,060,061

The financial statements were approved by the Board of Directors on 9 December 2011 and signed on its behalf by:

James Boyd McFie.

....
Dr. J. B. McFie
Chairman

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

COMPANY STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2011

	Note	2011 KShs'000	2010 KShs'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4(b)	1,563,826	1,570,572
Other intangible assets	5	10,457	13,943
Biological assets	6(b)	1,824,234	1,430,134
Prepaid leases on leasehold land	7	8,141	8,266
Investment in subsidiary companies	8	172,697	172,697
		3,579,355	3,195,612
CURRENT ASSETS			
Inventories	10	127,651	85,128
Trade and other receivables	11	121,619	116,885
Amounts due from subsidiary companies	12	7,801	40,592
Amounts due from related company	12	1,734	1,618
Tax recoverable	18	27,673	25,546
Cash and cash equivalents	31	224,765	369,284
		511,243	639,053
TOTAL ASSETS		4,090,598	3,834,665
EQUITY AND LIABILITIES			
EQUITY AND RESERVES			
Share capital	13	228,055	228,055
Non - distributable reserves	14	2,327,122	2,114,168
Distributable reserves	14	447,889	277,472
TOTAL EQUITY		3,003,066	2,619,695
NON-CURRENT LIABILITIES			
Deferred tax	15	627,440	425,404
Bank loan	16	56,837	-
Post employment benefits	17	17,500	18,510
Loan notes	19	-	420,000
		701,777	863,914
CURRENT LIABILITIES			
Post employment benefits	17	880	950
Trade and other payables	20	164,650	176,294
Provisions	21	7,672	7,432
Amounts due to subsidiary companies	12	80,871	46,380
Bank loan	16	131,682	-
Loan notes	19	-	120,000
		385,755	351,056
TOTAL EQUITY AND LIABILITIES		4,090,598	3,834,665

The financial statements were approved by the Board of Directors on 9 December 2011 and signed on its behalf by:

James Boyd McFie

....
Dr. J. B. McFie
Chairman

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2011

	Note	2011 KShs'000	2010 KShs'000
REVENUE	23	2,665,877	2,297,927
Cost of Sales	24	(1,580,483)	(1,376,450)
GROSS PROFIT		1,085,394	921,477
Gains arising from changes in fair value of biological assets less estimated point of sale costs	6(a)	413,082	904,832
Other income	25	146,718	177,192
Administration and establishment expenses	26	(591,422)	(563,550)
Selling and distribution costs	27	(20,246)	(13,427)
Finance income	28	4,695	27,774
Finance cost	28	(24,082)	(71,923)
PROFIT BEFORE TAX	28	1,014,139	1,382,375
TAXATION EXPENSE	18	(563,792)	(388,646)
PROFIT FOR THE YEAR		450,347	993,729
PROFIT ATTRIBUTABLE TO:			
OWNERS OF THE PARENT		391,233	980,907
NON-CONTROLLING INTERESTS		59,114	12,822
		450,347	993,729
PROFIT ATTRIBUTABLE TO OWNERS OF PARENT MADE UP AS FOLLOWS:			
PROFIT ARISING FROM OPERATING ACTIVITIES		387,502	352,553
GAINS ARISING FROM CHANGES IN FAIR VALUE OF BIOLOGICAL ASSETS AFTER TAX		3,731	628,354
		391,233	980,907
EARNINGS PER SHARE			
-Basic and diluted (KShs)	29	1.72	4.30

COMPANY STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2011

	Note	2011 KShs'000	2010 KShs'000
REVENUE	23	753,657	564,553
Cost of Sales	24	(465,922)	(312,240)
GROSS PROFIT		287,735	252,313
Gains arising from changes in fair value of biological assets less estimated point of sale costs	6(b)	391,620	409,150
Other income	25	85,588	99,846
Dividend received from subsidiary company		272,500	230,000
Administration and establishment expenses	26	(251,886)	(254,220)
Finance income	28	2,574	8,846
Finance cost	28	(20,279)	(56,923)
PROFIT BEFORE TAX	28	767,852	689,012
TAXATION EXPENSE	18	(208,722)	(137,629)
PROFIT FOR THE YEAR		559,130	551,383
MADE UP AS FOLLOWS:			
PROFIT ARISING FROM OPERATING ACTIVITIES		330,577	265,796
GAINS ARISING FROM CHANGES IN FAIR VALUE OF BIOLOGICAL ASSETS AFTER TAX		228,553	285,587
		559,130	551,383
EARNINGS PER SHARE			
-Basic and diluted (KShs)	29	2.45	2.42

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2011

	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 2009	228,055	137,933	2,081,483	2,455,567	581,650	45,611	5,530,299	131,523	5,661,822
Profit for the year	-	-	-	628,354	352,553	-	980,907	12,822	993,729
Excess depreciation on revaluation	-	-	(97,322)	-	94,912	-	(2,410)	2,410	-
Deferred tax on revaluation	-	-	28,094	-	-	-	28,094	724	28,818
Non-controlling interest share of revaluation surplus	-	-	(49,857)	-	-	-	(49,857)	49,857	-
Acquisition of investments	-	(39,403)	-	-	-	-	(39,403)	(60,597)	(100,000)
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 final 2010 dividend	-	-	-	-	(68,417)	68,417	-	-	-
At 30 September 2010	228,055	98,530	1,959,230	3,083,921	915,087	68,417	6,353,240	136,739	6,489,979
At 1 October 2010	228,055	98,530	1,959,230	3,083,921	915,087	68,417	6,353,240	136,739	6,489,979
Profit for the year	-	-	-	3,731	387,502	-	391,233	59,114	450,347
Excess depreciation on revaluation	-	-	(39,303)	-	39,303	-	-	-	-
Deferred tax on revaluation	-	-	11,026	-	-	-	11,026	765	11,791
Non-controlling interest share of Subsidiary dividends	-	-	-	-	-	-	-	(7,500)	(7,500)
Final 2010 dividend paid	-	-	-	-	-	(68,417)	(68,417)	-	(68,417)
Interim 2011 dividend paid	-	-	-	-	(114,028)	-	(114,028)	-	(114,028)
Proposed final 2011 dividend	-	-	-	-	(114,028)	114,028	-	-	-
At 30 September 2011	228,055	98,530	1,930,953	3,087,652	1,113,836	114,028	6,573,054	189,118	6,762,172
	Note 13		Note 14	Note 14	Note 14				

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2011

	Share capital KShs'000	Capital reserve KShs'000	Revaluation reserve KShs'000	Biological Assets fair Value KShs'000	Retained earnings KShs'000	Proposed dividend KShs'000	Total equity KShs'000
At 1 October 2009	228,055	40,594	1,200,594	602,992	35,002	45,611	2,152,848
Profit for the year	-	-	-	285,587	265,796	-	551,383
Excess depreciation on revaluation	-	-	(22,285)	-	22,285	-	-
Deferred tax on revaluation	-	-	6,686	-	-	-	6,686
Final 2009 dividend paid	-	-	-	-	-	(45,611)	(45,611)
Interim 2010 dividend paid	-	-	-	-	(45,611)	-	(45,611)
Proposed final 2010 dividend	-	-	-	-	(68,417)	68,417	-
At 30 September 2010	228,055	40,594	1,184,995	888,579	209,055	68,417	2,619,695
At 1 October 2010	228,055	40,594	1,184,995	888,579	209,055	68,417	2,619,695
Profit for the year	-	-	-	228,553	330,577	-	559,130
Excess depreciation on revaluation	-	-	(22,285)	-	22,285	-	-
Deferred tax on revaluation	-	-	6,686	-	-	-	6,686
Final 2010 dividend paid	-	-	-	-	-	(68,417)	(68,417)
Interim 2011 dividend paid	-	-	-	-	(114,028)	-	(114,028)
Proposed final 2011 dividend	-	-	-	-	(114,028)	114,028	-
At 30 September 2011	228,055	40,594	1,169,396	1,117,132	333,861	114,028	3,003,066
	Note 13		Note 14	Note 14	Note 14		

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 SEPTEMBER 2011

	Note	2011 KShs'000	2010 KShs'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash flows generated from operations	30	655,287	587,779
Income taxes paid	18	(172,292)	(183,405)
Realised exchange gains		14,034	71
Net cash generated from operating activities		497,029	404,445
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant, equipment and intangible assets	4(a)/(c)	(150,802)	(142,046)
Capital work-in-progress	4(c)	(15,253)	(2,154)
Proceeds on sale of available for sale investments		54,618	-
Biological assets	6	(2,961)	(6,126)
Finance income		4,695	27,774
Proceeds on sale of property, plant and equipment		3,550	84,219
Acquisition of non-controlling interest	8	-	(100,000)
Net cash used in investing activities		(106,153)	(138,333)
CASH FLOWS FROM FINANCING ACTIVITIES			
Finance costs	28	(24,082)	(71,923)
Repayment of loan notes		(540,000)	(60,000)
Proceeds from bank loan		243,000	-
Loan repayments		(54,481)	(4,550)
Subsidiary dividends paid to non controlling interests		(7,500)	-
Dividends paid on ordinary shares		(182,444)	(91,222)
Net cash used in financing activities		(565,507)	(227,695)
Net (decrease) / increase in cash and cash equivalents		(174,631)	38,417
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		621,453	544,688
Un realised exchange gains		42,281	38,348
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	31	489,103	621,453

COMPANY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 SEPTEMBER 2011

	Note	2011 KShs'000	2010 KShs'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash flows generated from operations	30	145,969	154,753
Income taxes paid	18	(2,127)	(5,800)
Realised exchange gains		23,314	35,786
Net cash generated from operating activities		167,156	184,739
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	4(b)/(c)	(50,699)	(37,920)
Biological assets	6	(2,479)	(2,726)
Finance income		2,574	8,846
Proceeds on sale of property, plant and equipment		1,920	2,466
Acquisition of non-controlling interest		-	(100,000)
Net cash used in investing activities		(48,684)	(129,334)
CASH FLOWS FROM FINANCING ACTIVITIES			
Finance costs		(20,279)	(56,923)
Repayment of loan notes		(540,000)	(60,000)
Proceeds from bank loan		243,000	-
Loan repayments		(54,481)	(4,550)
Dividend received from subsidiary		272,500	230,000
Dividend paid on ordinary shares		(182,445)	(91,222)
Net cash (used in)/generated from financing activities		(281,705)	17,305
Net (decrease)/increase in cash and cash equivalents		(163,233)	72,710
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		369,284	295,143
Un realised exchange gains		18,714	1,431
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	31	224,765	369,284

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 SEPTEMBER 2011

1. NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS

The accounting policies adopted are consistent with those of the previous year except as follows:

The group has adopted the following new standards, amendments and interpretations, which became effective as of 1 July 2010, where relevant to its operations.

IFRS 2, Group Cash-settled Share-based Payment Arrangements - Effective for annual periods beginning on or after 1 January 2010. IFRS 2 has been amended to clarify the accounting for group cash-settled share-based payment transactions, where a subsidiary receives goods or services from employees or suppliers, but the parent or another entity in the group pays for those goods or services. The amendments clarify that the scope of IFRS 2 includes such transactions. The amendment incorporates the guidance from IFRIC 8, Scope of IFRS 2, and IFRIC 11, Group and Treasury Share Transactions and hence both IFRIC 8 and IFRIC 11 have been withdrawn. This amendment had no impact on the financial position or performance of the group.

IFRS 1, First-time Adoption of International Financial Reporting Standards - Additional Exemptions for First-time Adopters (Amendments). Effective for annual periods beginning on or after 1 January 2010. IFRS 1 has been amended to provide additional exemptions from full retrospective application of IFRS for the measurement of oil & gas assets and leases as follows:

Entities that have measured exploration and evaluation assets, and assets in the development or production phases using 'full cost accounting', can measure these assets at the amounts determined under previous GAAP at the date of transition. Where an entity uses this exemption, it must test all such assets for impairment at the date of transition to IFRS.

Where an entity uses the above deemed cost exemption for oil and gas assets, the related decommissioning and restoration liabilities are measured at the date of transition in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets. Any adjustment of the carrying amount as recognised under previous GAAP is recognised in retained earnings.

Where an entity has, under previous GAAP, made the same determination of whether an arrangement contains a lease as required by IFRIC 4, Determining whether an arrangement contains a lease, but that assessment was made at a date other than that required by IFRIC 4, the entity does not need to reassess that determination.

IFRS 1 First-time Adoption of International Financial Reporting Standards - Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters - Effective for annual periods beginning on or after 1 July 2010. IFRS 1 has been amended to allow first-time adopters to utilise the transitional provisions of IFRS 7 Financial Instruments: Disclosures as they relate to the March 2009 amendments to the standard. These provisions give relief from providing comparative information in the disclosures required by the amendments in the first year of application.

To achieve this, the transitional provisions in IFRS 7 were amended to clarify that the disclosures need not be provided for:

- Annual or interim periods, including any statement of financial position, presented with an annual comparative period ending before 31 December 2009.
- Any statement of financial position as at the beginning of the earliest comparative period as at a date before 31 December 2009.

IFRS 7, Financial Instruments Disclosures
Clarification of disclosures
The amendment emphasises the interaction between quantitative and qualitative disclosures and nature and extent of risks associated with financial instruments.

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2011

1. NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS (continued)

- Clarify that only financial asset whose carrying amount does not reflect the maximum exposure to credit risk need to provide further disclosure of the amount that represents the maximum exposure to such risk.
- Require, for all financial assets, disclosure of the financial effect of collateral held as security and other credit enhancements regarding the amount that best represents the maximum exposure to credit risk (e.g., a description of the extent to which collateral mitigates credit risk).
- Remove the disclosure requirement of the collateral held as security, other credit enhancements and an estimate of their fair value for financial assets that are past due but not impaired, and financial assets that are individually determined to be impaired.
- Remove the requirement to specifically disclose financial assets renegotiated to avoid becoming past due or impaired.
- Clarify that the additional disclosures required for financial assets obtained by taking possession of collateral or other credit enhancements are only applicable to assets still held at the reporting date.

The amendment is applied retrospectively.

IAS 34, Interim Financial Statements
Significant events and transactions – The amendment provides guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements around:
The circumstances likely to affect fair values of financial instruments and their classification
- Transfers of financial instruments between different levels of the fair value hierarchy
- Changes in contingent liabilities and assets
- Changes in classification of financial assets

IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments – Effective for annual periods beginning on or after 1 July 2010. IFRIC 19 clarifies that equity instruments issued to a creditor to extinguish a financial liability are consideration paid in accordance with paragraph 41 of IAS 39, Financial Instruments: Recognition and Measurement.
The equity instruments issued are measured at their fair value, unless this cannot be reliably measured, in which case they are measured at the fair value of the liability extinguished.

Any gain or loss is recognised immediately in profit or loss. If only part of a financial liability is extinguished, the entity needs to determine whether part of the consideration paid relates to a modification of the liability outstanding. If so, the consideration paid is allocated between the two parts. The interpretation does not apply where the creditor is acting in the capacity of a shareholder, common control transactions, and where the issue of equity shares was part of the original terms of the liability.

IAS 32, Financial Instruments: Presentation – Classification of Rights Issues (Amendment) – Effective for annual periods beginning on or after 1 February 2010. The definition of a financial liability has been amended to classify rights issues (and certain options or warrants) as equity instruments if:

- The rights are given pro-rata to all of the existing owners of the same class of an entity's non derivative equity instruments.
- The rights are to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.

The adoption of these standards had no impact on the financial position or performance of the group.

Improvements to international Financial Reporting Standards (Issued 2009)

The Improvements to IFRS project is an annual process that the IASB has adopted to deal with non-urgent but necessary amendments to IFRS (the 'annual improvements process'). In the second omnibus edition, 15 amendments to 12 standards are dealt with by the IASB. The following summaries only those amendments that will be effective for June 2011 year-ends.

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2011

1. NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS (continued)

Improvements to International Financial Reporting Standards (Issued 2009) (continued)

IFRS 5, Non-current Assets Held for Sale and Discontinued Operations. Clarifies that the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations are only those set out in IFRS 5. Effective prospectively for annual periods beginning on or after 1 January 2010.

IFRS 8, Operating Segments - Disclosure of Information about segment assets. Segment assets and liabilities need only be reported when those assets and liabilities are included in measures used by thechief operating decision maker. Effective for annual periods beginning on or after 1 January 2010.

IAS 1, Presentation of Financial Statements - Current/non-current classification of convertible instruments. The terms of a liability that could at anytime result in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification. Effective for annual periods beginning on or after 1 January 2010.

IAS 7, Statement of Cash Flows - Classification of expenditures on unrecognised assets. Only expenditure that results in a recognised asset can be classified as a cash flow from investing activities. Effective for annual periods beginning on or after 1 January 2010.

IAS 17, Leases - Classification of land and buildings - The specific guidance on classifying land as a lease has been removed so that only the general guidance remains. Effective for annual periods beginning on or after 1 January 2010.

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. Effective prospectively for annual periods beginning on or after 1 January 2010.

IAS 39, Financial Instruments: Recognition and Measurement:

Assessment of loan prepayment penalties as embedded derivatives - 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. Effective for annual periods beginning on or after 1 January 2010.
Scope exemption for business combination 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. Effective prospectively to all unexpired contracts for annual periods beginning on or after 1 January 2010.
Cash flow hedge accounting - Gains or losses on cash flow hedges of a forecast transaction that subsequently results in the recognition of a financial instrument or on cash flow hedges or recognised financial instruments should be reclassified in the period that the hedged forecast cash flows affect profit or loss. Effective prospectively to all unexpired contracts for annual periods beginning on or after 1 January 2010.
In the third omnibus edition, the IASB issued eleven amendments to six standards and one interpretation. The following summarises the five amendments that will be effective for June 2011 year-ends.

IFRS 3, Business Combinations

Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS. - The amendment clarifies that the amendments to IFRS 7, Financial Instruments: Disclosures, IAS 32, Financial Instruments: Presentation and IAS 39, Financial Instruments: Recognition and Measurement, that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008).

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2011

1. NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS (continued)

Improvements to international Financial Reporting Standards (Issued 2009) (continued)

The amendment is applicable to annual periods beginning on or after 1 July 2010. The amendment is applied retrospectively.

Measurement of non-controlling interests (NCI) – The amendment limits the scope of the measurement choices that only the components of NCI that are present ownership interests which entitle their holders to a proportionate share of the entity's net assets, in the event of liquidation, shall be measured either at fair value, or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. Other components of NCI are measured at their acquisition date fair value, unless another measurement basis is required by another IFRS, e.g. IFRS 2. Applicable to annual periods beginning on or after 1 July 2010.

The amendment is applied prospectively from the date the entity applies IFRS 3 (Revised).

Un-replaced and voluntarily replaced share-based payment awards – The amendment requires an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions (whether by obligation or voluntarily), i.e., split between consideration and post-combination expenses. However, if the entity replaces the acquiree's awards that expire as a consequence of the business combination, these are recognised as post-combination expenses.

IFRS 3 Business Combinations (continued)

The amendment also specifies the accounting for share-based payment transactions that the acquirer does not exchange for its own awards: if vested – they are part of NCI and measured at their market-based measure; if unvested – they are measured at market based value as if granted at acquisition date, and allocated between NCI and post-combination expense. The amendment is applicable to annual periods beginning on or after 1 July 2010. The amendment is applied prospectively.

IAS 27, Consolidated and Separate Financial Statements – Transition requirements for amendments made as a result of IAS 27, Consolidated and Separate Financial Statements. The amendment clarifies that the consequential amendments from IAS 27 made to IAS 21, The Effect of Changes in Foreign Exchange Rates, IAS 28 Investments in Associates and IAS 31, Interests in Joint Ventures apply prospectively for annual periods beginning on or after 1 July 2009 or earlier when IAS 27 is applied earlier. The amendment is applicable to annual periods beginning on or after 1 July 2010. It is applied retrospectively.

Amendments to existing standards and interpretations that were issued but not effective for accounting periods beginning on or after 1 July 2010

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 July 2010. The company expects that 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 1 First-time Adoption of international Financial Reporting Standards (Amendment) – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters – Effective for annual periods beginning on or after 1 July 2011. The IASB has provided guidance on how an entity should resume presenting IFRS financial statements when its functional currency ceases to be subject to severe hyperinflation. When an entity's date of transition to IFRS is on, or after, the date its functional currency ceases to be subject to severe hyperinflation (the functional currency normalisation date), the entity may elect to measure all assets and liabilities held before the functional currency normalisation date that were subject to severe hyperinflation, at fair value, on the date of transition to IFRS.

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2011

1. NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS (continued)

Standards amendments and interpretations to existing standards that were issued but not effective for accounting periods beginning on or after 1 July 2010 (continued)

This fair value may be used as the deemed cost of those assets and liabilities in the opening IFRS statement of financial position. A further amendment to the standard is the removal of the legacy fixed dates in IFRS 1 relating to derecognition and day one gain or loss transactions have also been removed.
The standard now has these dates coinciding with the date of transition to IFRS.

IFRS 7, Financial Instruments: Disclosures (Amendment) – Effective for annual periods beginning on or after 1 July 2011. The amendment requires additional quantitative and qualitative disclosures relating to transfers of financial assets, where:

- Financial assets are derecognised in their entirety, but where the entity has a continuing involvement in them (e.g. options or guarantees on the transferred assets).
- Financial assets are not derecognised in their entirety – The amendments may be applied earlier than the effective date and this fact must be disclosed. Comparative disclosures are not required for any period beginning before the effective date.

IAS 24, Related Party Disclosures (Revised) – Effective for annual periods beginning on or after 1 January 2011. The definition of a related party has been clarified to simplify the identification of related party relationships, particularly in relation to significant influence and joint control.
A partial exemption from the disclosures has been included for government-related entities. For these entities, the general disclosure requirements of IAS 24 will not apply. Instead, alternative disclosures have been included, requiring:

- The name of the government and the nature of its relationship with the reporting entity
- The nature and amount of individually significant transactions
- A qualitative or quantitative indication of the extent of other transactions that are collectively significant.

IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment) – Effective for annual periods beginning on or after 1 January 2011. IFRIC 14 provides further guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset.

Improvements to International Financial Reporting Standards (issued 2010)

These amendments are effective for periods beginning on or after 1 January 2011. Earlier application is permitted in all cases. In this omnibus edition, the IASB issued eleven amendments to six standards and one interpretation. The following summarises the six amendments included that will be effective for June 2012 year-ends.

IFRS 1 First-time Adoption of International Financial Reporting Standards

Accounting policy changes in the year of adoption – The amendment clarifies that, if a first-time adopter changes its accounting policies or its use of the exemptions in IFRS 1 after it has published an interim financial report in accordance with IAS 34, Interim Financial Reporting, it has to explain those changes and update the reconciliations between previous GAAP and IFRS.

Revaluation basis as deemed cost – The amendment allows first-time adopters to use an event-driven fair value as deemed cost, even if the event occurs after the date of transition, but before the first IFRS financial statements are issued. When such re-measurement occurs after the date of transition to IFRS, but during the period covered by its first IFRS financial statements the adjustment is recognised directly in retained earnings (or if appropriate, another category of equity).

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2011

1. NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS (continued)

Improvements to international Financial Reporting Standards (Issued 2010) (continued)

IAS 1, Presentation of Financial Statements
Clarification of statement of changes in equity - The amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The amendment is applied retrospectively.

IFRIC 13, Customer Loyalty Programmes
Fair value of award credit - The amendment clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme is to be taken into account. The amendment is applied retrospectively.

IAS 12, Income Taxes
The amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. Effective 1 January 2012.

New international Financial Reporting Standards (Issued 2010) but not effective.

IFRS 9, Financial Instruments
Classification and measurement of financial assets and liabilities - Effective 1 January 2013. IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. In subsequent phases, the Board will address impairment and hedge accounting. The completion of this project is expected in mid 2011. The adoption of the first phase of IFRS 9 will primarily have an effect on the classification and measurement of the group's financial assets. The group is currently assessing the impact of adopting IFRS 9. However, since the impact of adoption depends on the assets held by the group at the date of adoption, it is not practical to quantify the effect.

IFRS 10, Consolidated Financial Statements
This new standard includes a new definition of control which is used to determine which entities are consolidated. This will apply to all entities, including special purpose entities (now known as 'structured entities'). The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled and, therefore, consolidated, and may result in a change to the entities which are within a group. Effective 1 January 2013.

IFRS 11, Joint Arrangements
This new standard describes the accounting for joint arrangements with joint control; proportionate consolidation will no longer be permitted for joint ventures. Effective 1 January 2013.

IFRS 12, Disclosures of Interests in Other Entities
This new standard describes all the disclosures that are required relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. An entity is now required to disclose the judgments made to determine whether it controls another entity. Effective 1 January 2013.

IFRS 13, Fair Value Measurement
This new standard provides guidance on how to measure fair value of financial and non-financial assets and liabilities when fair value measurement is required or permitted by IFRS. Effective 1 January 2013.

IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine
This new interpretation provides guidance on how to account for stripping cost in the development phase of a surface mine. Effective 1 January 2013.

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2011

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 2(d) and 2(e) 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

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 September 2011.

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 or profit or loss or retained earnings, as appropriate.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2011

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) 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.

(d)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 6 to the financial statements.

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

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

The Group measures its property, plant and equipment at revalued amounts with changes in revaluation values being recognised 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.

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2011

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Critical Accounting Estimates and Assumptions(continued)

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.

(e) 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.

(f) 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.

Finance 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.

(g) 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 other comprehensive income or equity is recognised in other comprehensive income or equity and not in profit or loss.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2011

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Taxation(continued)

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:

- 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 items recognised directly in other comprehensive income or equity is recognised in other comprehensive income or equity and not in profit or loss.

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.

(h) 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.

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2011

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Inventories(continued)

Agricultural produce is measured at fair value less estimated point of sale costs at the point ofharvest. 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.

(i) 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.

(j) Property, plant & equipment and depreciation

Property, plant and equipment are stated at revalued amounts less accumulated depreciation and any impairment losses. Revaluation increases arising on the revaluations are recognised in other comprehensive income and accumulated in the revaluation reserve in equity, 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 profit or loss 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. 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 and adjusted prospectively, if appropriate.

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 profit or loss 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.

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2011

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) 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).

(l) 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

(m) 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 profit or loss.

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.

(n) 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 profit or loss.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 SEPTEMBER 2011

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) 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 profit or loss in the year to which they relate.

(p) 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 profit or loss.

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

(q) 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.

(r) 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 profit or loss 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 profit or loss in the period in which they are incurred. Costs incurred relating to immature biological assets are factored in the fair value adjustment.

(s) 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 but no liability is provided.

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2011

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) 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 asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

(u) 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 and include recievables arising from day to day sale of goods and services. They are measured at amortised cost less impairment losses using the effective interest rate method (EIR). Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or cost that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of comprehensive income.

(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. After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available for sale reserve until the investment is derecognised. 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 available for sale, the gains or losses are recognised in other comprehensive income and accumulated in 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.

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2011

(u) Financial instruments(continued)

- 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.

(i) Unquoted equity instruments
Investments in shares of other enterprises that give the Group a residual interest in the assets of that enterprise after deducting all of its liabilities are classified as equity instruments. For unquoted equity investments fair value is determined by reference to the market value of a similar investment, where applicable. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis or other valuation models.

(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 the use of an allowance account. The amount of the loss is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2011

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Financial instruments(continued)

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

When there is a decline in the fair value of an available-for-sale financial asset whose fair value gains and losses have been recognised in other comprehensive income and accumulated in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been accumulated in equity is removed from equity and recognised through other comprehensive income into profit or loss even though the financial asset has not been derecognised. Impairment losses recognised in profit or loss 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 profit or loss.

(v) 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 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 2011

3. SEGMENT INFORMATION

Segment information is as presented below.

	Tea KShs '000	Coffee KShs '000	Others KShs '000	Consolidated KShs '000
30 September 2011				
Revenue				
Sales to external customers	1,599,688	705,969	360,220	2,665,877
Other income	31,494	36,668	78,556	146,718
	1,631,182	742,637	438,776	2,812,595
Results				
Operating results on operating activities	432,108	187,248	1,088	620,444
Operating results on biological assets	(488,442)	901,524	–	413,082
Operating results	(56,334)	1,088,772	1,088	1,033,526
Assets and liabilities				
Segment assets	4,149,883	5,187,979	124,165	9,462,027
Segment liabilities	1,347,542	1,240,820	111,493	2,699,855
Other segment information				
Capital expenditure – tangible fixed assets	74,908	49,851	28,890	153,649
Depreciation and amortisation of leasehold land and of intangible assets	96,170	55,133	34,118	185,421
Average number of employees	2,712	978	238	3,928
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
	1,520,184	507,320	447,615	2,475.119
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	835,236	580,861	10,428	1,426,525
Assets and liabilities				
Segment assets	3,478,994	4,403,382	1,177,685	9,060,061
Segment liabilities	1,022,784	1,163,959	383,339	2,570,082
Other segment information				
Capital expenditure – tangible fixed assets	70,484	11,704	91,154	173,342
Depreciation and amortisation of leasehold land and intangible assets	73,120	47,913	50,961	171,994
Average number of employees	2,839	1,055	106	4,000

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2011

3. SEGMENT INFORMATION

(i) Geographical information

The Group's operations are located in Bomet, Nyeri, Mombasa, Kiambu and Nairobi counties in Kenya.

The Group's tea, rental and leasing operations are located in Bomet and Mombasa counties. Coffee, dairy and horticulture operations are located in Nyeri and Kiambu counties. The head office is located in Nairobi county.

(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 2011

4. PROPERTY, PLANT AND EQUIPMENT

a) The Group
Year ended 30 September 2011

	Freehold Land KShs'000	Buildings and improvements KShs'000	Plant, machinery and tools KShs'000	Rolling Stock and Farm implements KShs'000	Furniture Computers, and equipment KShs'000	Total KShs'000
COST OR VALUATION						
At start of the year	1,003,000	1,026,153	458,681	129,010	104,881	2,721,725
Additions and transfers	–	23,165	78,154	33,330	16,040	150,689
Disposals	–	–	–	(8,467)	–	(8,467)
At 30 September 2011	1,003,000	1,049,318	536,835	153,873	120,921	2,863,947
Comprising:						
At cost	–	274,800	221,988	88,005	105,840	690,633
At valuation	1,003,000	774,518	314,847	65,868	15,081	2,173,314
	1,003,000	1,049,318	536,835	153,873	120,921	2,863,947
DEPRECIATION						
At start of the year	–	147,469	61,713	27,063	51,760	288,005
Charge for the year	–	80,480	48,519	26,329	19,705	175,033
Disposals	–	–	–	(1,882)	–	(1,882)
At 30 September 2011	–	227,949	110,232	51,510	71,465	461,156
NET BOOK VALUE						
At 30 September 2011	1,003,000	821,369	426,603	102,363	49,456	2,402,791

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 other comprehensive income and accumulated in equity as at that date.

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2011

4. PROPERTY, PLANT AND EQUIPMENT(continued)

a) The Group(continued)
Year ended 30 September 2010

	Freehold Land KShs'000	Buildings and improvements KShs'000	Plant, machinery and tools KShs'000	Rolling Stock and Farm implements KShs'000	Furniture Computers, and equipment KShs'000	Total 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	1,003,000	1,026,153	458,681	129,010	104,881	2,721,725
Comprising:						
At cost	–	251,635	143,834	63,142	89,800	548,411
At valuation	1,003,000	774,518	314,847	65,868	15,081	2,173,314
	1,003,000	1,026,153	458,681	129,010	104,881	2,721,725
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	–	147,469	61,713	27,063	51,760	288,005
NET BOOK VALUE						
At 30 September 2010	1,003,000	878,684	396,968	101,947	53,121	2,433,720

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2011

4. PROPERTY, PLANT AND EQUIPMENT

a) The Company
Year ended 30 September 2011

	Freehold Land KShs'000	Buildings and improvements KShs'000	Plant, machinery and tools KShs'000	Rolling Stock and Farm implements KShs'000	Furniture Computers, and equipment KShs'000	Total KShs'000
COST OR VALUATION						
At start of the year	842,000	579,954	173,886	43,107	21,822	1,660,769
Additions and transfers	–	10,289	6,386	28,653	5,371	50,699
Disposals	–	–	–	(2,783)	–	(2,783)
At 30 September 2011	842,000	590,243	180,272	68,977	27,193	1,708,685
Comprising:						
At cost	–	222,646	80,276	43,951	18,254	365,127
At valuation	842,000	367,597	99,996	25,026	8,939	1,343,558
	842,000	590,243	180,272	68,977	27,193	1,708,685
DEPRECIATION						
At start of the year	–	33,774	31,405	13,394	11,624	90,197
Charge for the year	–	23,193	12,936	14,221	4,671	55,021
Disposals	–	–	–	(359)	–	(359)
At 30 September 2011	–	56,967	44,341	27,256	16,295	144,859
NET BOOK VALUE						
At 30 September 2011	842,000	533,276	135,931	41,721	10,898	1,563,826

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2011

4. PROPERTY, PLANT AND EQUIPMENT

a) The Company(continued)
Year ended 30 September 2010

	Freehold Land	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	842,000	579,954	173,886	43,107	21,822	1,660,769
Comprising:						
At cost	–	212,357	73,890	18,081	12,883	317,211
At valuation	842,000	367,597	99,996	25,026	8,939	1,343,558
	842,000	579,954	173,886	43,107	21,822	1,660,769
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	–	33,774	31,405	13,394	11,624	90,197
NET BOOK VALUE						
At 30 September 2010	842,000	546,180	142,481	29,713	10,198	1,570,572

(c) Capital work-In-progress

	The Group		The Company	
	2011	2010	2011	2010
	KShs'000	KShs'000	KShs'000	KShs'000
Balance brought forward	6,392	78,573	–	68,328
Additions	28,626	2,154	–	–
Transfer to property, plant and equipment	(13,373)	(25,170)	–	(50,899)
Transfer to intangible assets	–	(49,165)	–	(17,429)
	21,645	6,392	–	–

Capital work-in-progress is not depreciated.

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2011

5. OTHER INTANGIBLE ASSETS

	Group		Company	
	2011	2010	2011	2010
	KShs'000	KShs'000	KShs'000	KShs'000
COST				
Balance brought forward	58,179	9,014	17,429	–
Additions	114	–	–	–
Transfers (note 4(c))	–	49,165	–	17,429
At 30 September	58,293	58,179	17,429	17,429
AMORTISATION				
Balance brought forward	18,388	8,296	3,486	–
Charge for the year	10,147	10,092	3,486	3,486
Disposals	–	–	–	–
At 30 September	28,535	18,388	6,972	3,486
NET BOOK VALUE				
At 30 September	29,758	39,791	10,457	13,943

Intangible assets relate to software costs.

6. BIOLOGICAL ASSETS

(a) The Group
Year ended 30 September 2011

	Coffee trees	Tea bushes	Other trees	Livestock	Total
	KShs'000	KShs'000	KShs '000	KShs '000	KShs'000
Carrying amount as at 1 October 2010	1,852,068	3,213,474	247,562	14,131	5,327,235
Gains / (losses) arising from changes in fair value less estimated point of sale costs due to:					
Price changes	1,284,377	(627,214)	10,420	(1,481)	666,102
Yield changes	(381,849)	134,239	(5,410)	–	(253,020)
	902,528	(492,975)	5,010	(1,481)	413,082
Changes in Immature Trees / Bushes	2,829	–	132	–	2,961
Carrying amount as at 30 September 2011	2,757,425	2,720,499	252,704	12,650	5,743,278

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2011

6. BIOLOGICAL ASSETS (continued)

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 due to:						
Price changes	631,247	324,697	(57,946)	–	878	898,876
Yield changes	(93,586)	128,089	(27,453)	(1,093)	–	5,956
	537,661	452,785	(85,399)	(1,093)	878	904,832
Changes in Immature Trees/ Bushes	5,906	–	220	–	–	6,126
Carrying amount as at 30 September 2010	1,852,068	3,213,474	247,562	–	14,131	5,327,235

The Group is involved in the growing, processing and selling of coffee and tea and breeding of dairy cattle. At 30 September 2011, the Group had 162 (2010:127) cows able to produce milk, 104 (2010:80) calves that are raised to produce milk in the future, 4 (2010: 92) bull calves and 313 (2010:176) sheep. The Group produced 595,469 (2010: 646,832) litres of milk with a fair value less estimated point of sale costs of KShs 12,406,189 (2010: KShs 13,312,340) in the year.

The Group has 879 hectares of mature coffee bushes and 33 hectares of immature coffee bushes. The Group harvested 862,741 (2010: 1,106,883) Kgs of coffee with a fair value less estimated point of sale costs of KShs 435 million (2010: KShs 313 million).

The Group has 1,391 (2010: 1,391) hectares of mature tea bushes and 46 (2010: 46) hectares of immature tea bushes. The Group harvested 25,785,945 (2010: 28,251,205) Kgs of green tea leaves with a fair value less estimated point of sale costs of KShs 436 million (2010: KShs 438 million).

b) The Company
Year ended 30 September 2011

	Coffee trees KShs '000	Other trees KShs '000	Livestock KShs '000	Total KShs '000
Carrying amount as at 1 October 2010	1,351,927	74,110	4,097	1,430,134
Gains /(losses) arising from changes in fair value less estimated point of sale costs due to:				
Price changes	734,011	(680)	(20)	733,311
Yield changes	(341,691)	–	–	(341,691)
	392,320	(680)	(20)	391,620
Changes in Immature Trees / Bushes	2,374	106	–	2,480
Carrying amount as at 30 September 2011	1,746,621	73,536	4,077	1,824,234

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2011

6. BIOLOGICAL ASSETS (continued)

(b) The Company
Year ended 30 September 2011

	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 due to:				
Price changes	497,511	-	1,030	498,541
Yield changes	(49,919)	(39,472)	-	(89,391)
	447,592	(39,472)	1,030	409,150
Changes in Immature Trees / Bushes	2,530	196	-	2,726
Carrying amount as at 30 September 2010	1,351,927	74,110	4,097	1,430,134

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 and growing costs 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 2011

7. PREPAID LEASES ON LEASEHOLD LAND

	The Group		The Company	
	2011	**2010**	**2011**	**2010**
COST	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**
Balance brought forward	23,058	23,260	9,210	9,210
Disposals	-	(202)	-	-
At 30 September	23,058	23,058	9,210	9,210
AMORTISATION				
Balance brought forward	2,020	1,798	944	819
Charge for the year	241	239	125	125
Disposals	-	(17)	-	-
At 30 September	2,261	2,020	1,069	944
NET BOOK VALUE				
At 30 September	20,797	21,038	8,141	8,266

8. INVESTMENT IN SUBSIDIARY COMPANIES

Shares in subsidiaries at cost	-	-	172,697	172,697

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 2011.

In the previous 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:

	KShs'000'
Asset	846,799
Liabilities	(240,827)
Total net assets at fair value	605,972
Non-controlling interest measured at fair value	60,597
Excess payment on acquisition	39,403
Purchase consideration	100,000

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2011

9. OTHER INVESTMENTS

	The Group		The Company	
	2011	2010	2011	2010
	KShs'000	KShs'000	KShs'000	KShs'000
Trade investments:				
Unquoted	525	4,229	-	-

These relate to unquoted investments classified as available for sale and measured at cost. During the year, the Company disposed off its interest in the Ark.

10. INVENTORIES

	The Group		The Company	
	2011	2010	2011	2010
	KShs'000	KShs'000	KShs'000	KShs'000
Made Tea	114,766	83,725	47,654	39,971
Tea and tree nurseries	5,055	4,503	-	-
Green Coffee	107,107	69,111	47,501	10,280
Estate stores	158,686	121,418	32,496	34,877
	385,614	278,757	127,651	85,128

The amount of write-down of inventories recognised as an expense is KShs Nil (2010: KShs Nil) which is recognised in cost of sales.

11. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2011	2010	2011	2010
	KShs'000	KShs'000	KShs'000	KShs'000
Trade receivables	210,967	174,412	78,012	76,722
Allowances for impairment	(2,303)	(3,016)	(874)	(2,494)
Net trade receivables	208,664	171,396	77,138	74,228
Other receivables and prepaid expenses	138,632	147,644	44,481	42,657
	347,296	319,040	121,619	116,885
Allowances for impairment				
At beginning of the year	3,016	32,375	2,494	32,375
Written off	(713)	(29,881)	(1,620)	(29,881)
Charge for the year	-	522	-	-
At the end of the year	2,303	3,016	874	2,494
Aged analysis of trade receivables				
Neither past due nor impaired				
Less than 30 days	96,741	98,015	3,343	8,030
31 to 90 days	72,848	41,581	50,477	34,967
Over 90 days (past due but not impaired)	32,081	31,800	23,318	31,231
Over 90 days (past due and impaired	9,297	3,016	874	2,494
	210,967	174,412	78,012	76,722

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 SEPTEMBER 2011

12. RELATED COMPANIES BALANCES

	The Group		The Company	
	2011	2010	2011	2010
	KShs'000	KShs'000	KShs'000	KShs'000
Amount due from subsidiary companies				
Aristocrats Tea & Coffee Exporters Limited	-	-	-	15,484
Sasini Coffee House Limited			7,801	7,302
Kipkebe Limited	-	-	-	-
Mweiga Estates Limited	-	-	-	17,806
	-	-	7,801	40,592
Amount due to subsidiaries				
Aristocrats Tea & Coffee Exporters Limited	-	-	2,596	-
Mweiga Estates Limited	-	-	48,800	-
Kipkebe Limited	-	-	29,475	46,380
	-	-	80,871	46,380
Amount due from / (to) related companies				
Sasini Uganda Limited	1,734	1,618	1,734	1,618
Sameer Agriculture & Livestock Limited	(753)	1,685	-	-
Sameer Investments Limited	70	-	-	-
The Ark Limited	-	148	-	-
	1,051	3,451	1,734	1,618

Sasini Uganda Limited, Sameer Agriculture & Livestock Limited, Sameer Investments 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	
	2011	2010	2011	2010
	KShs'000	KShs'000	KShs'000	KShs'000
300,000,000 ordinary shares of KShs 1each	300,000	300,000	300,000	300,000
Issued and fully paid:				
228,055,500 ordinary shares of KShs 1 each.	228,055	228,055	228,055	228,055

14. RESERVES

Non-distributable reserves:				
Revaluation reserve	1,930,953	1,959,230	1,169,396	1,184,995
Capital reserve	98,530	98,530	40,594	40,594
Biological assets fair value reserve	3,087,652	3,083,921	1,117,132	888,579
	5,117,135	5,141,681	2,327,122	2,114,168
Distributable Reserves:				
Retained earnings	1,113,836	915,087	333,861	209,055
Proposed dividends	114,028	68,417	114,028	68,417
	1,227,864	983,504	447,889	277,472
Non-controlling interest	189,118	136,739	-	-

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2011

14. RESERVES (continued)

Revaluation reserve

The revaluation reserve relates to increases in the fair value of property, plant and equipment an 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	
	2011	2010	2011	2010
	KShs'000	KShs'000	KShs'000	KShs'000
The provision for deferred tax comprises:				
Excess of tax allowances over depreciation	270,351	256,446	119,860	119,076
Tax losses	(71,858)	(110,606)	(32,012)	(69,824)
Other temporary differences	(74,395)	(65,982)	(7,678)	(8,052)
Biological assets	1,722,983	1,364,491	547,270	384,204
	1,847,081	1,444,349	627,440	425,404
Deferred tax movement:				
Balance brought forward	1,444,349	1,223,823	425,404	294,460
Balance carried forward	1,847,081	1,444,349	627,440	425,404
Movement during the year	402,732	220,526	202,036	130,943
Analysis of movement during the year:				
Recognised in equity	(11,026)	(28,094)	(6,686)	(6,686)
Non controlling interest share in equity	(765)	(723)	–	–
Recognised in statement of comprehensive income	414,523	249,343	208,722	137,629
	402,732	220,526	202,036	130,943

16. BANK LOAN

Maturing within less than one year	131,682	–	131,682	–
Maturing after one and within five years	56,837	–	56,837	–
	188,519	–	188,519	–

This relates to a 24 months bank loan of USD 3 million from United Bank of Africa to finance redemption of a portion of the loan notes. The company has an undertaking to maintain an operation account with the lender for the purpose of effecting collections. The loan has a floating interest rate at a discount of 1 percent below the lender's Foreign Currency Prime Lending rate which is subject to review in line with prevailing market conditions and which at 30 September 2011 was 5 percent.

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2011

17. POST EMPLOYMENT BENEFITS

	The Group		The Company	
	2011 KShs'000	2010 KShs'000	2011 KShs'000	2010 KShs'000
Balance brought forward	197,728	174,707	19,460	11,879
Paid during the year	(13,844)	(13,485)	(831)	(980)
Charge / (credit) for the year	39,068	36,506	(249)	8,561
Balance carried forward	222,952	197,728	18,380	19,460
Non-current portion	212,502	186,688	17,500	18,510
Current portion	10,450	11,040	880	950
	222,952	197,728	18,380	19,460

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	
	2011 KShs'000	2010 KShs'000	2011 KShs'000	2010 KShs'000
STATEMENT OF FINANCIAL POSITION				
Balance brought forward	2,854	46,955	(25,546)	(19,746)
Charge for the year	149,269	139,304	-	-
Paid during the year	(172,292)	(183,405)	(2,127)	(5,800)
Balance carried forward	(20,169)	2,854	(27,673)	(25,546)
STATEMENT OF COMPREHENSIVE INCOME				
Income tax on the taxable profit for the year at 30 %	149,269	139,304	-	-
Deferred tax (credit)/expense	56,031	(22,244)	45,656	14,066
Deferred tax expense /(credit)on biological assets fair value	358,492	271,586	163,066	123,563
Total deferred tax expense /(credit)	414,523	249,342	208,722	137,629
Taxation expense /(credit) for the year	563,792	388,646	208,722	137,629

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 SEPTEMBER 2011

18. TAXATION PAYABLE / (RECOVERABLE)

Reconciliation of tax expense /(credit)	The Group		The Company	
	2011	2010	2011	2010
	KShs'000	KShs'000	KShs'000	KShs'000
Accounting profit before taxation	1,014,139	1,382,375	767,852	689,012
Tax applicable rate at 30 %	304,241	414,713	230,355	206,704
Tax effects of items not allowed for tax	(101)	23,897	(73,949)	(69,075)
Deferred tax adjustments relating to previous years	259,652	(2,170)	52,316	–
	563,792	388,646	208,722	137,629

DIVIDEND TAX ACCOUNT

The Group and the Company have credit balances on the dividend tax accounts of KShs 645,712,948 (2010: KShs 554,825,979) and KShs 346,930,141 (2010: KShs 306,207,623), respectively, which include tax payments to 30 September 2011. Therefore, there is no compensating tax payable for the year.

19. LOAN NOTES

	The Group		The Company	
	2011	2010	2011	2010
	KShs'000	KShs'000	KShs'000	KShs'000
Loan Notes	–	540,000	–	540,000

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 were redeemable in full by 3rd December 2012. On 3rd December 2010, the company exercised its option to redeem the loan notes in full.

Maturity analysis	The Group		The Company	
	2011	2010	2011	2010
	KShs'000	KShs'000	KShs'000	KShs'000
Maturing within one year	–	120,000	–	120,000
Maturing after one year but within 5 years	–	420,000	–	420,000
	–	540,000	–	540,000

20. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2011	2010	2011	2010
	KShs'000	KShs'000	KShs'000	KShs'000
Trade payables	233,382	196,058	44,327	93,478
Other payables	196,188	171,446	120,323	82,816
	429,570	367,504	164,650	176,294

21. PROVISIONS

Balance brought forward	12,692	14,254	7,432	8,914
Additional provisions	591	195	273	–
Utilisation of provisions	(1,550)	(1,757)	(33)	(1,482)
Balance carried forward	11,733	12,692	7,672	7,432

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2011

22. BANK OVERDRAFT

The bank overdraft facilities with Barclays Bank of Kenya Limited are secured to the extent of KShs 10,085,000 (2010: KShs 10,085,000) by way of a lien over a cash deposit with the bank.

23. REVENUE

	The Group		The Company	
	2011	2010	2011	2010
	KShs'000	KShs'000	KShs'000	KShs'000
Tea	1,599,689	1,509,305	–	–
Coffee	824,758	509,110	549,965	314,565
Livestock	5,345	5,710	448	489
Dairy produce	20,943	19,333	4,133	3,279
Horticulture	15,981	8,198	–	–
Retail trading sales	103,746	156,408	103,746	156,408
Coffee mill	59,463	51,355	59,463	51,355
Rent receivable	8,327	8,454	8,276	8,403
Marketing commission	27,625	30,054	27,626	30,054
	2,665,877	2,297,927	753,657	564,553

24. COST OF SALES

	The Group 2011	The Group 2010	The Company 2011	The Company 2010
Stock movement	(61,690)	(19,518)	(37,912)	(3,365)
General charges	204,162	209,849	65,377	80,204
Plantation maintenance	430,039	426,182	38,440	39,720
Production expenses	407,781	340,215	95,914	48,950
Green leaf purchases	214,713	183,320	–	–
Coffee house expenses	40,357	35,509	–	–
Coffee purchases & other charges	189,785	22,567	189,785	–
Livestock expenses	31,953	25,530	5,006	4,615
Horticulture expenses	14,071	10,680	–	–
Retail trading expenses	96,713	120,195	96,713	120,195
Coffee mill expenses	12,599	21,921	12,599	21,921
	1,580,483	1,376,450	465,922	312,240

25. OTHER INCOME

	The Group 2011	The Group 2010	The Company 2011	The Company 2010
(Loss)/gain on disposal of property, plant and equipment	(3,035)	79,407	(314)	79
Exchange gain – Realised	14,034	71	23,314	35,786
Exchange gain – Unrealised	42,281	38,348	18,714	1,431
Gain on disposal of investment	50,914	–	–	–
Management fees	–	–	27,300	27,300
Sundry income	42,524	59,366	16,574	35,250
	146,718	177,192	85,588	99,846

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2011

26. ADMINISTRATION AND ESTABLISHMENT EXPENSES

	The Group		The Company	
	2011	2010	2011	2010
	KShs'000	KShs'000	KShs'000	KShs'000
Staff costs (note 26 (ii))	153,515	159,100	72,698	78,041
Insurance and medical costs	24,413	21,719	1,561	1,169
Depreciation of property, plant and equipment	175,033	161,663	55,021	48,096
Amortisation of intangible assets	10,147	10,092	3,486	3,486
Amortisation of leasehold land	241	239	125	125
Auditors' remuneration	3,755	3,400	1,155	1,050
Directors' emoluments	14,201	9,972	14,201	9,972
Legal and professional fees	6,997	7,110	1,177	2,687
Secretarial costs	3,000	3,000	–	–
Travelling and accommodation	7,227	2,795	3,969	2,269
Coffee house overheads	32,966	34,523	–	–
Office expenses	46,535	43,150	5,930	6,950
Administration costs	105,480	102,544	91,867	100,144
Bank charges	2,528	2,036	696	231
Sundry expenses	5,384	2,207	–	–
	591,422	563,550	251,886	254,220

Staff costs				
Salaries and wages	146,652	149,741	70,381	75,891
Staff leave accruals	(3,513)	955	(2,386)	(1,482)
Pension costs	9,500	6,843	4,088	3,409
National Social Security Fund	876	1,561	615	223
	153,515	159,100	72,698	78,041

27. SELLING AND DISTRIBUTION EXPENSES

Warehousing and storage Charges	20,246	13,427	–	–

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2011

28. PROFIT BEFORE TAXATION

The profit before taxation is arrived at after charging:

	The Group		The Company	
	2011	2010	2011	2010
	KShs'000	KShs'000	KShs'000	KShs'000
Depreciation	175,033	161,663	55,021	48,096
Amortisation of intangible assets	10,147	10,092	3,486	3,486
Amortisation of leasehold land	241	239	125	125
Directors' emoluments:				
Fees	4,100	2,601	4,100	2,601
Other remuneration	10,101	7,371	10,101	7,371
Pension scheme contributions	9,500	6,843	4,088	3,409
Auditors' remuneration	3,755	3,400	1,155	1,050
Loss on disposal of property, plant and equipment	3,035	–	505	–
Finance cost	24,082	71,923	20,279	56,923
And after crediting:				
Finance income	4,695	27,774	2,574	8,846
Exchange gain – Realised	14,034	71	23,314	35,786
Exchange gain – Unrealised	42281	38,348	18,714	1,431
Gain on disposal of available for sale investments	50,914	–	–	–
Gain on disposal of property, plant and equipment	–	79,407	–	79

29. EARNINGS PER SHARE

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

	The Group		The Company	
	2011	2010	2011	2010
	KShs'000	KShs'000	KShs'000	KShs'000
Earnings per share on operating activities	1.70	1.55	1.45	1.17
Earnings per share on gains in changes in fair value of biological assets	0.02	2.75	1.00	1.25
Net earnings per share (KShs)	1.72	4.30	2.45	2.42

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2011

30. CASH FLOWS GENERATED FROM OPERATIONS

Reconciliation of profit before tax to cash generated from operations

	The Group		The Company	
	2011	2010	2011	2010
	KShs'000	KShs'000	KShs'000	KShs'000
Profit before tax and non controlling interests	1,014,139	1,382,375	767,852	689,012
Adjustments for:				
Depreciation and amortisation	185,421	171,994	58,631	51,707
Exchange gain – realised	(14,034)	(71)	(23,314)	(35,786)
Exchange gain – unrealised	(42,281)	(38,848)	(18,714)	(1,431)
Finance income	(4,695)	(27,774)	(2,574)	(8,846)
Dividend received	–	–	(272,500)	(230,000)
Finance cost	24,082	71,923	20,279	56,923
Loss/(gains) on disposal of property, plant and equipment	3,035	(79,407)	505	(79)
Gain on disposal of available for sale investments	(50,914)	–	–	–
Gains arising from changes in fair value of biological assets	(413,082)	(904,832)	(391,620)	(409,150)
Operating profit before working capital changes	701,671	575,860	138,545	112,349
Inventories	(106,857)	(59,498)	(42,523)	(26,215)
Trade and other receivables	(28,256)	(47,628)	(4,733)	(8,627)
Related company	2,400	(1,755)	(116)	77
Trade and other payables	62,064	99,341	(11,646)	25,871
Subsidiary companies balance	–	–	67,282	45,199
Provisions	(959)	(1,562)	240	(1,482)
Post employment obligations	25,224	23,021	(1,080)	7,581
Cash flows generated from operations	655,287	587,779	145,969	154,753

31. CASH AND CASH EQUIVALENTS

Cash and cash equivalents	340,096	214,620	218,238	113,954
Short term deposit	149,007	411,788	6,527	255,330
Bank overdraft	–	(4,955)	–	–
	489,103	621,453	224,765	369,284

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2011

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:

(i) Purchase of goods and services	The Group 2011 KShs'000	The Group 2010 KShs'000	The Company 2011 KShs'000	The Company 2010 KShs'000
Ryce East Africa Limited	4,773	5,570	4,773	3,193
Ryce Engineering Limited	186	49	–	–
Yana Tyre Centre Limited	–	203	–	178
Sameer Investments Limited	111	112	111	112
Sameer Management Limited	–	3,037	–	37
Airtel Kenya Limited	384	1,218	258	841
Sameer Africa Limited	977	–	949	–
Sameer Agriculture Limited	764	10	153	10
Swift Global Kenya Limited	4,341	3,009	2,059	1,643
	11,536	13,208	8,303	6,014

The Company also shares common directors with one of its bankers, who provided a range of bankingservices 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 and at arms length.

	The Group 2011 KShs'000	The Group 2010 KShs'000	The Company 2011 KShs'000	The Company 2010 KShs'000
ii) Key management compensation				
Short term employee benefits	48,793	39,838	20,467	16,835
Post employment benefits	3,648	1,978	1,999	957
	52,441	41,816	22,466	17,792

33. CAPITAL COMMITMENTS

	The Group 2011 KShs'000	The Group 2010 KShs'000	The Company 2011 KShs'000	The Company 2010 KShs'000
Authorised and contracted for	4,500	–	–	–

The capital commitments relate to the opening of a new SAVANNA outlet.

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2011

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 unpredic ability 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.

i) Interest rate risk

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

The group's exposure to the risk of changes in market interest rates relates primarily to the group's long and short term obligations with floating interest rates.

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

ii) Foreign exchange risk

The Group's policy is to record 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 reporting date. All gains or losses on changes in currency exchange rates are accounted for in profit or loss.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2011

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

MARKET RISK (continued)

ii) Foreign exchange risk (continued)

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

	Group		Company	
	2011	2010	2011	2010
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Assets in foreign currencies:-				
Trade and other receivables	200,747	104,110	77,701	37,608
Cash and cash equivalents	284,599	169,689	142,111	46,416
	485,346	273,799	219,812	84,024
Liabilities in foreign currencies				
Trade and other payables	(17,768)	-	(14,889)	-
Borrowings	(188,519)	-	(188,519)	-
	(206,287)	-	(203,408)	-
Net foreign currency asset	279,059	273,799	16,404	84,204

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

	2011	2010
	KShs	KShs
US$	99.83	80.77
GBP	155.78	120.29

The following table demonstrates the effect on the group and 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 SEPTEMBER 2011

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

MARKET RISK (continued)

ii) Foreign exchange risk (continued)

		The Group		The Company	
	Change in currency rate	Effect on profit Before Tax KShs' 000	Effect on Equity KShs' 000	Effect on profit Before Tax KShs' 000	Effect on Equity KShs' 000
US$					
2011	10.00%	47,760	33,432	13,523	9,466
	-10.00%	(47,760)	(33,432)	(13,523)	(9,466)
2010	10.00%	27,309	19,116	5,881	4,117
	-10.00%	(27,309)	(19,116)	(5,881)	(4,117)
GBP					
2011	10.00%	35	25	-	-
	-10.00%	(35)	(25)	-	-
2010	10.00%	69	48	-	-
	-10.00%	(69)	(48)	-	-

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:

	2011 KShs	2010 KShs
Coffee	618	392
Tea	189	170

The following table demonstrates the effect on the group and 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.

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2011

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

MARKET RISK (continued)

iii) Price risk(continued)

	Change in currency rate	The Group Effect on profit Before Tax KShs' 000	The Group Effect on Equity KShs' 000	The Company Effect on profit Before Tax KShs' 000	The Company Effect on Equity KShs' 000
Coffee					
2011	-10.00%	(52,028)	(36,420)	(37,760)	(26,432)
	10.00%	52,028	36,420	37,760	26,432
2010	-10.00%	(12,493)	(8,745)	(33,633)	(23,543)
	10.00%	12,493	8,745	33,633	23,543
Tea					
2011	-10.00%	(165,813)	(116,069)	-	-
	10.00%	165,813	116,069	-	-
2010	-10.00%	(38,684)	(27,079)	-	-
	10.00%	38,684	27,079	-	-

CREDIT RISK

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The largest concentrations of credit exposure within the group 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 recognised 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.

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2011

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

LIQUIDITY RISK

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

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

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

As at 30 September 2011

	0-1 month KShs'000	2-3 months KShs'000	4-12 months KShs '000	Over 1 year KShs '000	Total KShs'000
Post employment benefits	-	-	10,450	212,502	222,952
Trade and other payables	144,420	179,590	105,560	-	429,570
Provisions	-	11,733	-	-	11,733
Bank loan	11,509	23,019	103,588	57,548	195,664
Loan notes	-	-	-	-	-
Bank overdraft	-	-	-	-	-
	155,929	214,342	219,598	270,050	859,919

As at 30 September 2010

	0-1 month KShs'000	2-3 months KShs'000	4-12 months KShs '000	Over 1 year KShs '000	Total KShs'000
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	-	76,200	108,600	614,400	799,200
Bank overdraft	4,955	-	-	-	4,955
	121,630	218,304	241,057	801,088	1,382,079

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2011

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.

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2011

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2011

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

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

Group **As at 30 September 2011**	**Level 1** **KShs'000**	**Level 2** **KShs'000**	**Level 3** **KShs'000**	**Total fair value** **KShs'000**
Financial assets designated at fair value through profit and loss				
Deposits with financial institutions	–	149,007	–	149,007
Investment in unquoted shares	–	–	525	525
	–	149,007	525	149,532
As at 30 September 2010				
Deposits with financial institutions	–	411,788	–	411,788
Investment in unquoted shares	–	–	4,229	4,229
	–	411,788	4,229	416,017

37. EMPLOYEES

The average number of employees for the Group during the year was 3,928 (2010: 4,000).

38. INCORPORATION

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

39. EVENTS AFTER THE REPORTING DATE

No material events or circumstances have arisen between the accounting date and the date of this report.

FIVE YEAR COMPARATIVE STATEMENTS

PRODUCTION AND SALES STATISTICS	2011 KShs '000	2010 KShs '000	2009 KShs '000	2008 KShs '000	2007 KShs '000
TEA					
Area - Hectares	1,437	1,437	1,437	1,437	1,437
Production - Tonnes	9,042	9,166	9,326	7,657	9,941
Sales - Tonnes	8,761	9,249	9,323	7,682	10,209
Sales proceeds - KShs / Kg	189	170	147	123	95
COFFEE					
Area - Hectares	912	912	912	912	912
Production - Tonnes	863	1,106	1,362	1,112	1,302
Sales - Tonnes	908	1,114	1,527	1,132	1,182
Sales proceeds - KShs '000 / tonne	618	392	262	244	200

RESULTS	**KShs '000**	**KShs '000**	**KShs '000**	**KShs '000**	**KShs '000**
TURNOVER	2,665,877	2,297,929	2,182,090	1,442,072	1,325,354
Gains / (losses) arising from changes in fair value less estimated point of sale costs	413,082	904,832	568,992	1,302,454	(8,892)
Profit / (loss) before taxation and non-controlling interest	1,014,139	1,382,375	759,722	1,266,406	(70,723)
Taxation (charge) /credit	(563,792)	(388,646)	(226,690)	(381,202)	29,971
Profit / (loss) after taxation before non-controlling interests	450,347	993,729	533,032	885,204	(40,752)
Made up as shown below:					
Profit /(loss) arising from operating activities	387,502	352,553	137,206	(13,408)	(31,046)
Gains / (losses) arising from changes in fair value less estimated point of sale costs after tax	3,731	628,354	388,820	889,071	(2,525)
Non-controlling interest	(59,114)	(12,822)	(7,006)	(9,541)	7,181
	450,347	993,729	533,032	885,204	(40,752)
Dividends	(228,056)	(114,028)	(91,222)	-	-

FIVE YEAR COMPARATIVE STATEMENTS(continued)

	2011	2010	2009	2008	2007
CAPITAL EMPLOYED	**KShs '000**	**KShs '000**	**KShs '000**	**KShs '000**	**KShs '000**
Property, plant and equipment	2,402,791	2,433,720	2,435,962	1,941,955	713,406
Intangible assets	29,758	39,791	718	2,368	3,010
Goodwill	–	–	–	–	80
Biological assets	5,743,278	5,327,235	4,416,277	3,838,529	2,522,939
Prepaid leases– leasehold land	20,797	21,038	21,463	21,598	13,733
Capital work in progress	21,645	6,392	78,573	14,013	18,251
Other Investments	525	4,229	4,229	6,045	27,016
Net current assets	659,798	708,611	636,885	610,576	266,630
	8,878,592	8,541,016	7,594,107	6,435,084	3,565,065
FINANCED BY					
Share capital	228,055	228,055	228,055	228,055	228,055
Reserves	6,230,971	6,056,768	5,256,633	4,367,379	2,640,094
Non controlling interests	189,118	136,739	131,523	121,872	86,483
Proposed dividend	114,028	68,417	45,611	–	–
Equity	6,762,172	6,489,979	5,661,822	4,717,306	2,954,632
Deferred tax	1,847,081	1,444,349	1,223,823	969,653	465,435
Bank loan –Long term	56,837	–	4,550	4,550	7,784
Loan notes – Long term	–	420,000	540,000	600,000	–
Post employment benefit obligations	212,502	186,688	163,912	143,575	137,214
	8,878,592	8,541,016	7,594,107	6,435,084	3,565,065
RATIOS					
Earnings / (loss) per share on operating activities (KShs)	1.70	1.55	0.60	(0.06)	(0.14)
Earnings / (loss) per share on gains in changes in fair value of biological assets (KShs)	0.02	2.75	1.70	3.90	(0.01)
Dividend per share (KShs)	1.00	0.50	0.40	–	–
Dividend cover (times covered)	1.70	3.10	1.50	–	–
Capital employed per share	38.93	37.45	33.30	28.22	15.63

NOTES:

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 2nd March 2012 and at any adjournment thereof.

As witness my/our hand(s) this...

day of...2012

Signature ....

Please indicate with a tick in the spaces below how you wish your vote to be cast.
The proxy will otherwise vote as he/she deems fit.

	FOR	AGAINST
The special resolution (Item 7 in the notice of the above mentioned meeting)	☐	☐

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 2 Machi 2012 na kwenye uahirishwaji wake wowote.

Kama ushahidi wangu/wetu hii siku ya ....

Mwezi wa...2012

Sahihi ....

Tafadhali ashiria jinsi ungependa kupiga kura katika nafasi ifuatayo.Usipoashiria, mwakilishi aweza kupiga kura apendavyo

	KUUNGA	KUPINGA
Uamuzi maalum (Hoja ya 7 katika ilani ya mkutano)	☐	☐

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, uwakilishi uwe kwenye muhuri wa kawaida au kwa idhini ya afisaa au mwanasheria aliyeidhinishwa kwa maandishi.

FOLD 2

AFFIX
STAMP
HERE

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

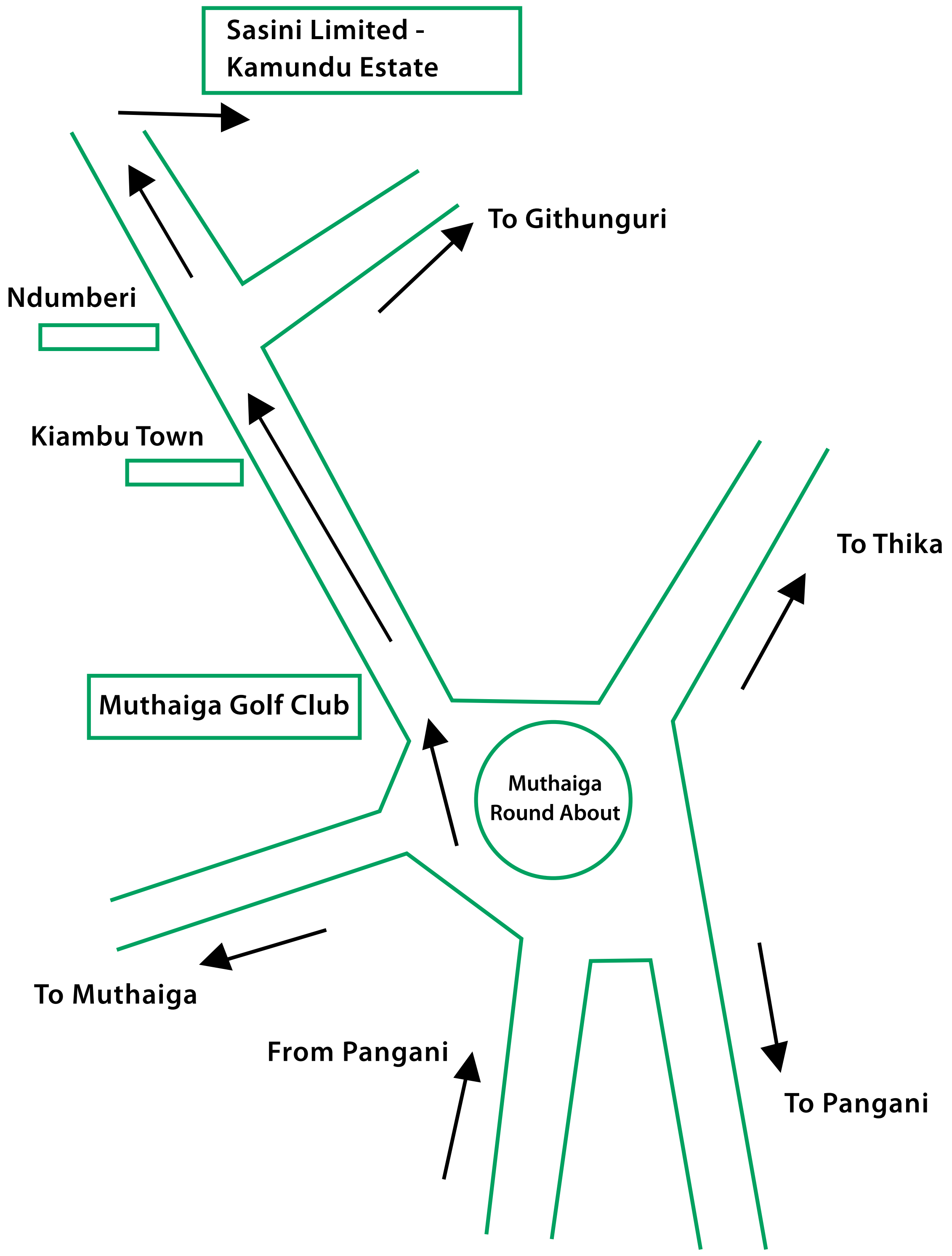
FOLD 1

Sasini

FOLD 3

INSERT FLAP INSIDE

MAP TO KAMUNDU ESTATE




KipKebe Estate


Coffee Mill Machinery