KENYA ORCHARDS LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2010

The Directors present their report and the Financial statements for the year ended 31st December, 2010.

PRINCIPAL ACTIVITIES
The principal activity of the Company is that of selling processed fruits, vegetables and other food products.

RESULTS & DIVIDENDS
The results of the company for the year are shown in the profit and loss account on page 5 and the appropriations therefrom in the statement of changes in equity on page 7. The directors recommend a payment of a dividend of Shs.55,000 to preference shareholders (2009: 55,000). The directors do not recommend the declaration of a dividend to ordinary shareholders (2009: Nil).

DIRECTORS
The names of the directors who held office during the year to the date of this report are

AUDITORS
The Auditors, Messrs. Jessie & Associates, Certified Public Accountants, will continue in the office in accordance with Section 159(2) of the Companies Act (Cap 486).

BY ORDER OF THE BOARD

SECRETARIES

NAIROBI:

Date: 28th March 2011

The Companies Act requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of its profit or loss. It also requires the directors to ensure that the company keeps proper accounting records that disclose, with reasonable accurancy, the financial position of the company. They are also responsible for safeguarding the assets of the company.

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

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 the requirements of the 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 company and of its profit or loss. The directors further accept responsibility for the maintenance of accounting records that 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 will not remain a going concern for at least the next twelve months from the date of this statement.

Director T K PATEL

Dinesh R Shah
Director

Date: 25th March 2011

To the Members of Kenya Orchards Limited.

We have audited the accompanying financial statements of Kenya Orchards Limited, set out on pages 5 to 15 which comprise the balance sheet as at 31st December 2010, and the Income Statement, Statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an independent 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 the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the company'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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the state of financial affairs of the company as at 31st December 2010 and of its loss and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of 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 company, so far as appears from our examination of those books; and

iii) The company's balance sheet and income statement account are in agreement with the books of account.

Jessie and associates

JESSIE & ASSOCIATES
Certified Public Accountants of Kenya
P.O. Box 43682
Nairobi.

Pin No: A000151882 G

Date: 28th March 2011

KENYA ORCHARDS LIMITED

INCOME STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER, 2010

	NOTES	2010 SHS	2009 SHS
TURNOVER		23,194,113	22,412,415
COST OF SALES		(21,484,870)	(20,387,865)
GROSS PROFIT		1,709,243	2,024,550
PROFIT ON SALE OF ASSET		454,925	-
ADMINISTRATIVE EXPENSES		(319,322)	(312,117)
SELLING AND DISTRIBUTION COSTS		(1,026,129)	(1,357,553)
OTHER OPERATING EXPENSES		(171,836)	(103,587)
OPERATING PROFIT	2	646,881	251,293
FINANCE COSTS	4	(26,361)	(18,496)
PROFIT BEFORE TAX		620,520	232,797
TAXATION	5	(58,722)	(3,108,481)
NET PROFIT/(LOSS)		**561,798**	**(2,875,684)**

Independent Auditors Report - page 4
The notes on pages 9 to 15 form part of these Financial Statements

CAPITAL EMPLOYED	**NOTE**	**2010 SHS**	**2009 SHS**
Share Capital	**6**	57,228,746	57,228,746
Revaluation Reserve		923,442	1,055,362
Retained Losses		(58,933,300)	(59,572,018)
Proposed Dividends		55,000	55,000
Shareholders Funds		(726,112)	(1,232,910)
Non Current Liabilities			
Borrowings	**7**	56,271,926	56,271,926
		55,545,814	**55,039,016**
Non Current Assets			
Property, Plant and Equipment	**9**	24,711,136	26,163,213
Deferred Tax	**8**	25,314,130	25,372,852
		50,025,266	51,536,065
Current Assets			
Inventories	**10**	13,316,555	14,106,635
Trade and Other Receivables	**11**	10,664,328	12,936,727
Cash and Cash Equivalents	**12**	484,974	124,560
		24,465,857	27,167,922
Current Liabilities			
Trade and Other Payables	**13**	18,945,309	23,664,971
		18,945,309	23,664,971
Net Current Assets		5,520,548	3,502,951
		55,545,814	**55,039,016**

The financial statements on pages 5 to 15 were approved by the Directors on: 25/3/2011

DIRECTOR Dinesh R. Shah DIRECTOR

NAIROBI

Independent Auditors Report - page 4
The notes on pages 9 to 15 form part of these Financial Statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER, 2010

	SHARE CAPITAL SHS	REVALUATION RESERVE SHS	RETAINED LOSSES SHS	PROPOSED DIVIDENDS SHS	TOTAL SHS
Balance as at 1st January, 2009	57,228,746	1,206,128	(56,792,100)	55,000	1,697,774
Preference Dividends Final 2009-Proposed	-	-	(55,000)	55,000	-
Preference Dividends Final 2008-Paid	-	-	-	(55,000)	(55,000)
Transfer of Excess Depreciation	-	(150,766)	150,766	-	-
Net Loss	-	-	(2,875,684)	-	(2,875,684)
Balance as at 31st December, 2009	57,228,746	1,055,362	(59,572,018)	55,000	(1,232,910)
Balance as at 1st January, 2010	57,228,746	1,055,362	(59,572,018)	55,000	(1,232,910)
Preference Dividends Final 2010-Proposed	-	-	(55,000)	55,000	-
Preference Dividends Final 2009-Paid	-	-	-	(55,000)	(55,000)
Transfer of Excess Depreciation	-	(131,920)	131,920	-	
Net Profit	-	-	561,798	-	561,798
Balance as at 31st December, 2010	57,228,746	923,442	(58,933,300)	55,000	(726,112)

Revaluation reserve arises from the revaluation of plant and equipment.
This reserve is not attributable.

Independent Auditors Report - page 4
Statement of principal accounting policies - pages 9 and 10
The notes on pages 9 to 15 form part of these Financial Statements.

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER, 2010

OPERATING ACTIVITIES	NOTES	2010 SHS	2009 SHS
Cash generated from operations	14	(58,225)	(103,632)
Interest Paid		(26,361)	(18,496)
Net Cash from operating activities		(84,586)	(122,128)
INVESTING ACTIVITIES			
Proceeds on Disposal of Motor vehicle		500,000	-
Net Cash from investing activities		500,000	-
FINANCING ACTIVITIES			
Dividends Paid		(55,000)	(55,000)
Net Cash Used in Financing Activities		(55,000)	(55,000)
INCREASE IN CASH & CASH EQUIVALENTS		360,414	(177,128)
MOVEMENT IN CASH AND CASH EQUIVALENTS			
At the start of the year	12	124,560	301,688
Increase		360,414	(177,128)
At the end of the year	12	484,974	124,560

Independent Auditors Report - page 4
The notes on pages 9 to 15 form part of these Financial Statements.