

Kakuzi Limited

**REPORT AND ACCOUNTS
FOR THE YEAR ENDED
31ST DECEMBER 1994**

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Kakuzi Limited

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1. Sea trade - Kenya - Somalia
2. Land trade - Kakui - Kenya

2007/0007

Kakuzi Limited

COMPANY INFORMATION

DIRECTORS:

M.C. Perkins, F.C.A. (Chairman) (British)
Dr. T.R. Fowkes (Managing Director) (British)
F.R. Bibby (Technical Director) (British)
P.C.B. Benson, M.B.E (British)
Sir Charles Markham, Bart. (Kenyan)
Dr. B.M. Gecaga, C.B.S (Kenyan)
C.A. Gardner (British)
K.W. Tarplee (British)

SECRETARY:

J.L.G. Maonga,
P.O. Box 30572,
Nairobi.

REGISTRAR:

Mrs. M.A. Pandit,
New Rehema House,
Rhapta Road, Westlands,
P.O. Box 30572,
Nairobi.

**LONDON TRANSFER
AGENTS:**

Kenya Commercial Bank Limited,
International Division,
London Representative Office,
1 Hay Hill, Berkeley Square,
London W1X 7LF.

REGISTERED OFFICE:

New Rehema House,
Rhapta Road, Westlands,
P.O. Box 30572,
Nairobi.

AUDITORS:

Coopers & Lybrand,
P.O. Box 30158,
Nairobi.

BANKERS:

Kenya Commercial Bank Limited,
P.O. Box 30081,
Nairobi.

SUBSIDIARY COMPANIES:

Siret Tea Company Limited	(100% owned)
Kaguru Limited	(100% owned)
Estates Services Limited	(100% owned)
Garton Limited	(51% owned)

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Sixty-seventh ANNUAL GENERAL MEETING of the members will be held at the Tinga Tinga Room, The Norfolk Hotel, Harry Thuku Road, Nairobi, on Friday 19th May 1995, at 11.30 a.m. for the following purposes:-

1. To confirm the minutes of the Annual General Meeting held on 13th May 1994.
2. To receive, consider and if deemed fit, adopt the accounts for the year ended 31st December 1994 together with the reports thereon of the directors and of the auditors.
3. To confirm the interim dividend of seventy-five cents (15%) per stock unit paid on 30th September 1994 and to declare a final dividend of one shilling twenty-five cents (25%) per stock unit.
4. (a) To re-elect directors.

(b) Sir Charles Markham, also retiring by rotation but being over the age of 70 years, retires under Section 186(2) of the Companies Act (Cap 486). Special notice has been received by the Company pursuant to Section 142 of the Companies Act (Cap 486) that the following ordinary resolution be proposed in accordance with Section 186(5) of the said Act:-

"Sir Charles Markham, a director who is over the age of 70 years, be re-elected a director of the Company".

5. To confirm the directors' remuneration.
6. To authorise the directors to fix the auditors' remuneration.
7. To consider the following resolution, which will be proposed as a **special resolution**:-

THAT Article 100 of the Articles of Association shall be amended by the deletion of the words "Provided that the aggregate amount for the time being remaining undischarged of the moneys borrowed or secured as aforesaid by the Company and by its subsidiary or associated companies inclusive of temporary loans obtained from the Company's bankers or others in the ordinary course of business but exclusive of inter-company borrowing shall not at any time without the previous consent of the Company in general meeting by ordinary resolution exceed the nominal amount of the share capital of the Company for the time being issued and paid up, but no debt incurred or security given in respect of moneys borrowed in excess of the limit hereby imposed shall be invalid, or ineffectual, except in the case of express notice at the time when the debt was incurred or security given that the limit hereby imposed had been exceeded."

By Order of the Board

M.C. Perkins
Chairman

Nairobi
17th February 1995
(The notes overleaf form a part of this notice)

Kakuzi Limited

NOTICE OF MEETING *(Continued)*

Notes:

A member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote on his/her behalf and such proxy need not be a member of the company. A form of proxy is on the last page.

The final dividend will, if approved, be paid on 31st May 1995 to members on the register at the close of business on 9th May 1995.

CHAIRMAN'S STATEMENT

1994 has been another satisfactory year for the company with the profits attributable to Kakuzi stockholders amounting to Sh203.6 million (Sh145.4 million for the 10 months to 31st December 1993), in spite of the detrimental effect of the strengthening Kenya Shilling. This improved result is primarily due to the significant increase in coffee prices realised from the middle of the year, together with useful contributions from the livestock division and from our jointly controlled pineapple project. Profits from tea declined, partly due to a severe drought experienced in Nandi and partly due to the strength of the Kenya Shilling which significantly reduced profit margins.

COFFEE

PRODUCTION IN 1994 - 1988 TONNES FROM 1067 MATURE HA.

(PRODUCTION IN 1993 - 1487 TONNES FROM 1073 MATURE HA.)

Production for both Kakuzi and Garton in 1994 was very close to budgeted levels, with both estates improving their crops in relation to the previous year.

Prices rose dramatically from July 1994 onwards, due in particular to the problems being experienced by Brazilian producers. Prices fell back towards the end of the year, but remained at levels not experienced for several years. We believe that prices realised could be further improved by deregulation of coffee marketing which is currently restricted to the auction system.

31 ha of new coffee were planted at Kakuzi during 1994, and at Garton 15 ha of old coffee were uprooted and replaced during the year.

TEA

PRODUCTION IN 1994 - 2.0 MILLION KG OF MADE TEA FROM 881 HA.

(PRODUCTION 1993 - 1.9 MILLION KG OF MADE TEA FROM 880 HA.)

Nandi experienced a severe drought during the first four months of 1994 and the crop only recovered during the last quarter of the year.

The completion of the new processing lines during 1993 has given Siret excess capacity at present. During the year leaf was accepted from outgrowers and the total factory production was 3.0 million kg of made tea (1993 - 2.0 million kg of made tea).

Average auction prices were slightly below those of 1993 which, coupled with the strength of the Kenya Shilling, has resulted in significantly reduced profit margins.

CHAIRMAN'S STATEMENT *(Continued)*

Emphasis has been put on continuing to provide quality teas from the factory. Community housing and welfare facilities continue to receive priority and in this respect fifty new housing units plus sanitation facilities were started during the year and were near completion by the year end.

Kenya's crop for the year was 209 million kg (1993 - 211 million kg). There continues to be a very delicate balance between supply and demand on the world tea market and it is difficult at this stage to predict price trends for the current year.

HORTICULTURE

228 HA DEVELOPED TO HORTICULTURAL CROPS PLUS 663 HA OF PINEAPPLE AT 31ST DECEMBER 1994 (98 HA DEVELOPED TO HORTICULTURAL CROPS PLUS 653 HA OF PINEAPPLE AT 31ST DECEMBER 1993)

During 1994 12 ha of old passion fruit was replanted and a further 33 ha was planted on new ground. These plantings produced minimal crop in 1994 but will reach maturity during 1995.

The area devoted to field crops, beans in particular, was expanded considerably during the year. However experiments with various bean varieties were mostly unsuccessful, and bean yields were disappointing. We have discontinued experimentation with all other field crops, and we are reconsidering our position with respect to beans.

Initial plantings of various other horticultural crops were started during the year, including 36 ha of mangoes, 15 ha of avocados, 12 ha of pineapple destined for fresh fruit markets, 26 ha of asparagus, and smaller areas of papaya and grapes.

A greenhouse and shade house were constructed adjacent to the existing nursery, and additional packing facilities were brought into operation.

In spite of the strong Kenya Shilling and depressed world prices for canned pineapple, our jointly controlled project with Del Monte Kenya Limited again produced a significant contribution to Group profits.

CHAIRMAN'S STATEMENT *(Continued)*

LIVESTOCK

CATTLE SALES 1257 HEAD (1993 - 1289 HEAD)
SHEEP SALES 601 HEAD (1993 - 610 HEAD)
CATTLE HERD AT 31ST DECEMBER 1994 - 4612 HEAD
(1993 - 5085 HEAD)
SHEEP FLOCK AT 31ST DECEMBER 1994 - 1397 HEAD
(1993 - 1346 HEAD)

1994 proved to be a successful year for our livestock operations. Although prices for cattle decreased somewhat in Kenya Shilling terms, the effect was less than that for tea, coffee and horticultural produce where selling prices are denominated in US dollars or Sterling pounds. Demand for our sheep remained strong, and selling prices actually increased during the year. We suffered few disease problems. The apparent reduction in the size of the cattle herd merely reflects the selling opportunities available in November and December 1994.

FORESTRY

New plantings, primarily of eucalyptus, were expanded considerably during 1994. During the long rains 30 ha were planted, together with infilling the 1992 and 1993 plantings. A further 200 ha were planted during the excellent short rains, split approximately evenly between the Kakuzi and Makuyu areas. The land under forestry now amounts to over 400 ha. A new tree nursery was established and sowing was initiated for seedlings to be planted out in 1995. The new pole treatment plant was successfully commissioned.

PROFIT AND DIVIDENDS

The profits after tax attributable to Kakuzi stockholders amounted to Sh203.6 million for the 12 month period to 31st December 1994. An interim dividend of 15% (1993 - 15%) has already been declared and the Board recommends a final dividend of 25% (1993 - 25%), leaving Sh164.4 million for transfer to reserves. Shareholders should be aware that both dividends are calculated on the increased share capital following the 1 for 2 bonus issue in June 1994. The level of distribution has thus increased by 50%.

PROSPECTS

The October 1994 coffee flowering was prolific and had the benefit of excellent short rains to develop the early crop to be picked in June 1995. All estates are well maintained and the late crop areas are in condition to produce a good flowering in April. It is always difficult to forecast coffee prices with any confidence, but indications are that prices may perhaps hold throughout 1995 at the levels experienced in late 1994.

CHAIRMAN'S STATEMENT *(Continued)*

Due to reasonable rainfall in Nandi during the latter months of 1994 the tea crop has made a good start to the year. However large auction offerings have depressed prices. The profitability of our tea operations will continue to be dependent upon favourable weather patterns and the balance of the world tea supply and demand situation.

With respect to horticulture, we have agreed in principle to add a further 488 hectares of pineapple to our project with Del Monte Kenya Limited over the next four years. For other horticultural crops we are considering moving the emphasis away from field crops towards tree crops, and the experiments initiated in 1994 with respect to such crops as avocados, mangoes and citrus will continue.

We intend to continue to plant marginal land to forestry and we have scheduled a further 200 ha of plantings for 1995. As more land is developed to forestry, additional horticulture and new coffee, we are intensifying the use of pastures for livestock by establishing more fenced paddocks served by piped water.

It should however be remembered that the profitability of exporting companies such as Kakuzi is critically dependent upon exchange rates, and the present strength of the Kenya Shilling will certainly continue to erode profit margins.

Kenyan exporters must operate in the sophisticated international marketplace with stringent quality standards and they will continue to be at a disadvantage unless the infrastructure of roads, railways, ports and communications can be brought up to the standards of their main competitors.

DIRECTORS AND EMPLOYEES

Dr. T.R. Fowkes was invited to join your Board in August and he accepted the role of Managing Director in November. Mr. F.R. Bibby continues on your Board as Technical Director.

Finally I am sure you would wish me to express the appreciation of the Directors and stockholders to all our staff for their contribution to these improved results in what has been a difficult year.

M.C. Perkins
Chairman

Nairobi
17th February 1995

Kakuzi Limited

REPORT OF THE DIRECTORS

The directors present their report together with the audited accounts for the year ended 31st December 1994.

PRINCIPAL ACTIVITIES

The principal activities of the company and its subsidiaries comprise:-

- The cultivation and manufacture of tea and coffee
- Livestock farming
- Jointly controlled operations dealing with the growing of pineapples
- The growing of other horticultural crops
- Afforestation
- Agent for the sale of coffee

RESULTS AND DIVIDENDS

The results for the year are shown on page 11 of these accounts.

An interim dividend of 75 cents per stock unit (10 months period ended 31st December 1993 - 75 cents per stock unit) was paid on 30th September 1994.

The directors propose a final dividend of sh 1.25 per stock unit (10 months period ended 31st December 1993 - sh 1.25 per stock unit) payable on 31st May 1995.

DIRECTORS

The directors who held office since 1st January 1994 and their interests in the share capital of the company are listed below:-

	Number of stock units held at 31-12-1994		Number of stock units held at 31-12-1993	
	Beneficial	Non-Beneficial	Beneficial	Non-Beneficial
M.C. Perkins	-	300	-	200
Dr. T.R. Fowkes	-	300	-	200
K.W. Tarplee	-	75	-	50
C.A. Gardner	3,000	-	2,000	-
F.R. Bibby	225	-	150	-
P.C.B. Benson	444	-	296	-
Sir Charles Markham	3,552	-	2,368	-
Dr. B. M. Gecaga	10,704	-	7,136	-

Mr. F.R. Bibby retires by rotation and, being eligible, offers himself for re-election.

Sir Charles Markham, also retiring by rotation but being over the age of 70 years retires in accordance with Section 186 (2) of the Companies Act (Cap 486), and seeks re-election under the provisions of Section 186 (5) of the said Act.

Dr. T.R. Fowkes who was previously an alternate director, was appointed a director on 11 August 1994 to hold office until the conclusion of the next annual general meeting and being eligible seeks re-election.

REPORT OF THE DIRECTORS *(Continued)*

None of the directors or their families had a material interest in any significant contract with the company or any of its subsidiaries during or at the end of the financial year.

MANAGEMENT

Dr. T.R. Fowkes was appointed Managing Director on 17th November 1994 and on the same date Mr. F.R. Bibby was appointed Technical Director.

SUBSTANTIAL INTERESTS

As at 17th February 1995 the company has been advised of the following significant interests in the issued share capital of the company:-

- (i) Linton Park Plc and subsidiaries held 50.01%. Lawrie Group Plc is deemed to be interested in these stock units by virtue of its shareholding in Linton Park Plc. Camellia Plc is deemed to be interested in these stock units by virtue of its shareholding in Lawrie Group Plc.
- (ii) Kenya Reinsurance Corporation held 5.70%.

AUDITORS

The auditors, Messrs Gill & Johnson resigned at the last Annual General Meeting held on 13th May 1994 and Messrs Coopers & Lybrand were appointed to hold office until the conclusion of the next Annual General Meeting.

Coopers & Lybrand continue in office in accordance with Section 159(2) of the Companies Act (Cap 486).

APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 17th February 1995.

By order of the Board

Dr. T.R. Fowkes
Managing Director

Nairobi
17th February 1995

Kakuzi Limited

REPORT OF THE AUDITORS TO THE MEMBERS OF KAKUZI LIMITED

We have audited the accounts set out on pages 11 to 26. The accounts of the company on page 13 are in agreement with the books which have been properly kept. We obtained the information and explanations we required.

In our opinion the accounts give a true and fair view of the state of affairs of the company and the group at 31st December 1994 and of the profit and cash flows of the group for the year then ended and comply with the Companies Act (Cap 486).

Coopers & Lybrand
Certified Public Accountants of Kenya

Nairobi
24th February 1995

Kakuzi Limited

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 1994

	Note	12 months to 31-12-1994 Sh'000	10 months to 31-12-1993 Sh'000
TURNOVER	1	<u>905,139</u>	<u>546,427</u>
PROFIT BEFORE TAXATION	1	283,052	219,723
TAXATION	2	<u>57,495</u>	<u>63,609</u>
PROFIT AFTER TAXATION		225,557	156,114
MINORITY INTEREST		<u>21,948</u>	<u>10,735</u>
PROFIT ATTRIBUTED TO MEMBERS OF KAKUZI LIMITED	3	203,609	145,379
DIVIDENDS	4	<u>39,200</u>	<u>26,133</u>
RETAINED PROFIT FOR THE YEAR/ PERIOD	14	<u>164,409</u>	<u>119,246</u>
EARNINGS PER STOCK UNIT	5	<u>Sh. 10.39</u>	<u>Sh. 7.42</u>

Kakuzi Limited

CONSOLIDATED BALANCE SHEET 31ST DECEMBER 1994

	Note	12 months to 31st December 1994 Sh'000	10 months to 31st December 1993 Sh'000
FIXED ASSETS	6	1,345,262	1,241,735
INVESTMENTS	7	476	476
GROWING CROPS	8	33,440	53,797
CURRENT ASSETS			
Growing crops	8	59,853	-
Stocks	9	189,540	150,964
Debtors		63,100	54,859
Taxation recoverable		11,496	-
Amounts due by group companies		9,752	4,533
Short term deposits		16,000	66,000
Bank balances and cash		9,396	26,813
		359,137	303,169
CURRENT LIABILITIES			
Creditors		60,059	47,701
Bank overdraft	10	-	14,855
Amounts due to group companies		10,620	8,790
Taxation		8,031	44,984
Dividends	11	24,500	20,105
Loans repayable within one year	15	5,777	1,591
		108,987	138,026
NET CURRENT ASSETS		250,150	165,143
		1,629,328	1,461,151
Financed by:			
SHARE CAPITAL	12	98,000	65,333
CAPITAL RESERVE	13	793,277	793,342
REVENUE RESERVE	14	581,271	449,464
STOCKHOLDERS' FUNDS		1,472,548	1,308,139
MINORITY INTEREST		65,134	55,436
LOANS	15	91,646	97,576
		1,629,328	1,461,151

Dr. T.R. Fowkes }
K.W. Tarplee } Directors

Report of the auditors page 10
The notes on pages 16 to 26 form part of these accounts.

Kakuzi Limited

COMPANY BALANCE SHEET 31ST DECEMBER 1994

	Note	12 months to 31st December 1994 Sh'000	10 months to 31st December 1993 Sh'000,
FIXED ASSETS	6	1,248,755	1,152,854
INVESTMENTS	7	11,126	11,126
GROWING CROPS	8	33,440	53,797
CURRENT ASSETS			
Growing crops	8	55,795	-
Stocks	9	157,987	127,431
Debtors		61,455	48,556
Taxation recoverable		11,443	-
Amounts due by subsidiary companies		2,866	7,563
Amounts due by group companies		9,748	4,533
Short term deposits		7,000	61,000
Bank balances and cash		8,972	24,096
		315,266	273,179
CURRENT LIABILITIES			
Creditors		57,967	44,502
Bank overdraft	10	-	14,855
Amounts due to subsidiary companies		16,418	16,472
Amounts due to group companies		10,612	8,783
Taxation		-	37,155
Dividends	11	24,500	20,105
Loans repayable within one year	15	5,777	1,591
		115,274	143,463
NET CURRENT ASSETS		199,992	129,716
		<u>1,493,313</u>	<u>1,347,493</u>
Financed by:			
SHARE CAPITAL	12	98,000	65,333
CAPITAL RESERVE	13	746,958	747,023
REVENUE RESERVE	14	556,709	437,561
STOCKHOLDERS' FUNDS		1,401,667	1,249,917
LOANS	15	91,646	97,576
		<u>1,493,313</u>	<u>1,347,493</u>

Dr. T.R. Fowkes }
K.W. Tarplee } Directors

Report of the auditors page 10
The notes on pages 16 to 26 form part of these accounts.

Kakuzi Limited

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 1994

	Note	12 months to 31st December 1994 Sh'000	10 months to 31st December 1993 Sh'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	A	336,215	227,961
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE:			
Interest received		6,518	3,664
Interest paid		(29,237)	(13,953)
Dividends paid		(34,805)	(41,605)
Dividends paid to minority		(12,250)	(2,450)
NET CASH OUTFLOW FROM INVESTMENTS AND SERVICING OF FINANCE		(69,774)	(54,344)
TAXATION PAID		(105,944)	(24,478)
INVESTING ACTIVITIES:			
Purchase of fixed assets		(143,653)	(126,814)
Expenditure on growing crops		(74,823)	(41,460)
Proceeds on sale of fixed assets		1,761	3,196
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(216,715)	(165,078)
FINANCING:			
Loan received		27,900	70,000
Loan repaid		(24,244)	(15,753)
NET CASH INFLOW FROM FINANCING		3,656	54,247
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	B	(52,562)	38,308

Kakuxi Limited

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 1994

	12 months to 31st December 1994 Sh'000	10 months to 31st December 1993 Sh'000
A. Reconciliation of operating profit to net cash inflow from operating activities		
Profit before taxation	283,052	219,723
Loan and overdraft interest	28,565	15,980
Interest receivable	(6,315)	(3,265)
Depreciation	40,070	25,012
Growing crop charges	35,327	15,125
Exchange gain on loan repayment	(5,400)	-
Profit on sale of fixed assets	(1,705)	(2,940)
Increase in stocks	(38,576)	(58,304)
Increase in debtors	(8,444)	(2,489)
Increase in creditors	13,030	15,749
Decrease/(Increase) in group company balances	(3,389)	3,370
Net cash inflow from operating activities	<u>336,215</u>	<u>227,961</u>
B. (Decrease)/Increase in cash and cash equivalents		
Short term deposits	(50,000)	33,000
Bank balances and cash	(17,417)	12,091
Bank overdraft	14,855	(6,783)
	<u>(52,562)</u>	<u>38,308</u>

**STATEMENT OF GROUP ACCOUNTING POLICIES
FOR THE YEAR ENDED 31ST DECEMBER 1994**

BASIS OF ACCOUNTING

The group prepares its accounts on the historical cost basis of accounting modified to include the revaluation of certain fixed assets. Production costs relating to future coffee harvests are now deferred as explained below. Such costs were previously written off.

CONSOLIDATION

The consolidated accounts comprise the accounts of the parent company and all its subsidiaries for the year ended 31st December 1994.

INVESTMENTS

Investments are stated at the lower of cost and net realisable value. Income from these investments is accounted for when dividends and interest are receivable.

DEPRECIATION

Depreciation is calculated on a straight line basis, at annual rates estimated to write off the cost or valuation of each asset over its anticipated useful life. The cost or valuation of freehold land and development is not depreciated. Capital work in progress is not depreciated.

The annual rates in use are:-

Leasehold land	Over the period of the lease
Buildings, dams, water supply and fencing	2% to 20%
Plant, machinery and tools	7.5%
Motor vehicles, tractors, trailers and implements	10% to 25%
Furniture, fittings and equipment	12.5%

TURNOVER

Turnover includes the gross proceeds of coffee and tea sold during the year. Livestock, afforestation and horticultural crop sales other than income from the pineapple project are based on invoiced values. Turnover of the pineapple project includes the company's share of income based on estimated realisable value.

JOINTLY CONTROLLED OPERATIONS

Jointly controlled operations relate to the growing of pineapples under an agreement with a third party. Fixed assets are included under the appropriate balance sheet headings.

HORTICULTURAL CROPS

Development expenditure on horticultural crops other than growing crops is capitalised.

STATEMENT OF GROUP ACCOUNTING POLICIES *(Continued)*

GROWING CROPS

Growing crops comprise:-

- The company's share of development expenditure on the pineapple project.
- Expenditure on horticultural crops other than permanent plantings.
- Production costs incurred during the year relating to future coffee harvests.

Costs deferred are charged to revenue over the production life-cycle of the crop.

STOCKS

Stocks are stated at the lower of average cost and net realisable value.

TAXATION

Current taxation is provided on the basis of the results for the year as shown in the accounts, adjusted in accordance with the tax legislation.

Deferred taxation is provided using the liability method, on timing differences where, in the opinion of the directors, there is reasonable probability that such timing differences will reverse in the foreseeable future.

FOREIGN CURRENCIES

Assets and liabilities expressed in foreign currencies are translated into Kenya Shillings at the rates of exchange ruling at the balance sheet date. Foreign currency trading transactions are translated at the rates ruling at the dates of the transactions. Gains and losses on exchange are dealt with in the profit and loss account.

CMA-DIRECT

Kakuzi Limited

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 1994

1. TURNOVER AND PROFIT BEFORE TAXATION

	Turnover		Profit/(loss) before taxation	
	12 months to 31-12-1994 Sh'000	10 months to 31-12-1993 Sh'000	12 months to 31-12-1994 Sh'000	10 months to 31-12-1993 Sh'000
Coffee	367,478	197,657	190,468	103,112
Tea	256,327	166,875	70,734	85,970
Livestock	27,023	12,392	18,267	3,668
Horticulture	254,279	169,444	16,966	40,034
Afforestation	32	59	(1,164)	(181)
Other operating profit	-	-	16,346	3,100
Interest payable	-	-	(28,565)	(15,980)
	<u>905,139</u>	<u>546,427</u>	<u>283,052</u>	<u>219,723</u>

Profit before taxation is stated after charging:

	12 months to 31-12-1994		10 months to 31-12-1993	
	Group Sh'000	Company Sh'000	Group Sh'000	Company Sh'000
Directors' emoluments:				
Fees	660	600	558	500
Other emoluments	2,734	2,734	1,311	1,311
Pension contributions	452	452	438	438
Payment to past director	20	20	17	17
Depreciation	40,070	37,535	25,012	23,671
Auditors' remuneration				
- current year	2,134	1,816	2,051	1,709
- previous year underprovision	826	666	-	-
Bank overdraft interest	4,396	4,310	3,641	3,356
Loan interest	<u>24,169</u>	<u>24,169</u>	<u>12,339</u>	<u>12,339</u>

and after crediting:

Profit on sale of fixed assets	1,705	1,705	2,940	2,449
Deposit interest receivable	6,259	4,264	3,209	2,055
Loan interest income	56	41	56	41
Exchange gains	<u>11,176</u>	<u>11,002</u>	<u>6,703</u>	<u>7,268</u>

NOTES TO THE ACCOUNTS (Continued)

2. TAXATION

	12 months to 31-12-1994 Sh'000	10 months to 31-12-1993 Sh'000
CURRENT TAXATION		
The taxation charge comprises:-		
Income tax based on taxable profit for the year/period at 35%	53,643	63,609
Previous year underprovision	20	-
Drought levy at 2.5%	3,832	-
	<u>57,495</u>	<u>63,609</u>

The profit before taxation per profit and loss account is materially in excess of the profit for taxation purposes mainly due to accelerated tax allowances.

DEFERRED TAXATION

No provision for deferred taxation is required on the timing differences relating to plant, machinery and vehicles.

The potential deferred taxation liability amounted to:-

	Group Sh'000	Company Sh'000
At 31st December 1994	13,047	11,765
At 31st December 1993	7,012	6,859

DIVIDEND TAXATION ACCOUNT

At 31st December 1994 the account had a credit balance of Sh147,690,186 (31st December 1993 - Sh113,955,099).

3. PROFIT ATTRIBUTABLE TO MEMBERS OF KAKUZI LIMITED

The consolidated profit attributable to members of Kakuzi Limited includes a profit of Sh190,949,749 (31st December 1993 - Sh140,368,088) which has been dealt with in the accounts of Kakuzi Limited.

4. DIVIDENDS

	12 months to 31-12-1994 Sh'000	10 months to 31-12-1993 Sh'000
Dividends per stock unit are as follows:-		
Interim of 75 cents (31st December 1993 - 75 cents)	14,700	9,800
Proposed final of sh 1.25 cents (31st December 1993 - sh 1.25 cents)	24,500	16,333
	<u>39,200</u>	<u>26,133</u>

NOTES TO THE ACCOUNTS (Continued)

5. EARNINGS PER STOCK UNIT

Earnings per stock unit are the profits attributable to each of the 19,599,999 stock units each in issue on 31st December 1994 (1993 restated) based on the consolidated profit after tax, after deducting the minority interest.

6. FIXED ASSETS

GROUP

	Freehold and leasehold land, buildings, improvements, dams and development	Plant, machinery and tools	Motor vehicles, tractors, trailers and implements	Furniture, fittings and equipment	Capital work in progress	Total
	Sh'000	Sh'000	Sh'000	Sh'000	Sh'000	Sh'000
COST OR VALUATION						
At 1st January 1994	1,203,207	37,474	61,070	14,941	19,140	1,335,832
Transfers	2,805	10,591	116	1,006	(14,518)	-
Additions	80,847	4,030	32,548	12,005	14,223	143,653
Disposals	(116)	-	(1,401)	-	-	(1,517)
At 31st December 1994	<u>1,286,743</u>	<u>52,095</u>	<u>92,333</u>	<u>27,952</u>	<u>18,845</u>	<u>1,477,968</u>
Comprising:						
Cost	188,087	49,020	90,952	27,317	18,845	374,221
Valuation 1978	11,410	3,075	1,381	635	-	16,501
Valuation 1993	<u>1,087,246</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,087,246</u>
	<u>1,286,743</u>	<u>52,095</u>	<u>92,333</u>	<u>27,952</u>	<u>18,845</u>	<u>1,477,968</u>
DEPRECIATION						
At 1st January 1994	45,328	11,410	31,470	5,889	-	94,097
Charge for the year	20,388	3,394	13,327	2,961	-	40,070
Disposals	(81)	-	(1,380)	-	-	(1,461)
At 31st December 1994	<u>65,635</u>	<u>14,804</u>	<u>43,417</u>	<u>8,850</u>	<u>-</u>	<u>132,706</u>
NET BOOK VALUE						
At 31st December 1994	<u>1,221,108</u>	<u>37,291</u>	<u>48,916</u>	<u>19,102</u>	<u>18,845</u>	<u>1,345,262</u>
At 31st December 1993	<u>1,157,879</u>	<u>26,064</u>	<u>29,600</u>	<u>9,052</u>	<u>19,140</u>	<u>1,241,735</u>

NOTES TO THE ACCOUNTS (Continued)

6. FIXED ASSETS (Continued)

COMPANY

	Freehold and leasehold land, buildings, improvements, dams and development Sh'000	Plant, machinery and tools Sh'000	Motor vehicles, tractors, trailers and implements Sh'000	Furniture, fittings and equipment Sh'000	Capital work in progress Sh'000	Total Sh'000
COST OR VALUATION						
At 1st January 1994	1,116,758	34,850	53,940	14,345	16,310	1,236,203
Transfers	2,805	7,762	116	1,006	(11,689)	-
Additions	77,540	3,001	30,085	11,713	11,153	133,492
Disposals	(116)	-	(1,401)	-	-	(1,517)
At 31st December 1994	<u>1,196,987</u>	<u>45,613</u>	<u>82,740</u>	<u>27,064</u>	<u>15,774</u>	<u>1,368,178</u>
Comprising:						
Cost	179,594	44,055	81,492	26,604	15,774	347,519
Valuation 1978	10,157	1,558	1,248	460	-	13,423
Valuation 1993	<u>1,007,236</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,007,236</u>
	<u>1,196,987</u>	<u>45,613</u>	<u>82,740</u>	<u>27,064</u>	<u>15,774</u>	<u>1,368,178</u>

DEPRECIATION

At 1st January 1994	40,847	9,426	27,709	5,367	-	83,349
Charge for the year	19,347	3,043	12,235	2,910	-	37,535
Disposals	(81)	-	(1,380)	-	-	(1,461)
At 31st December 1994	<u>60,113</u>	<u>12,469</u>	<u>38,564</u>	<u>8,277</u>	<u>-</u>	<u>119,423</u>

NET BOOK VALUE

At 31st December 1994	<u>1,136,874</u>	<u>33,144</u>	<u>44,176</u>	<u>18,787</u>	<u>15,774</u>	<u>1,248,755</u>
At 31st December 1993	<u>1,075,911</u>	<u>25,424</u>	<u>26,231</u>	<u>8,978</u>	<u>16,310</u>	<u>1,152,854</u>

The leasehold properties have unexpired periods in excess of 900 years with the exception of two properties, one of which was revalued at Sh50,000,000 and has an unexpired period of 59 years and the other, which was revalued at Sh7,000,000 and has an unexpired period of 71 years.

NOTES TO THE ACCOUNTS *(Continued)*

6. FIXED ASSETS *(Continued)*

	31st December 1994		31st December 1993	
	Group	Company	Group	Company
	Sh'000	Sh'000	Sh'000	Sh'000
Certain assets are fully depreciated as shown below:-				
Cost or valuation	37,897	31,322	28,595	23,106
Normal depreciation charge for the year/period	4,566	3,870	3,514	2,921

FUTURE CAPITAL EXPENDITURE

Authorised by the respective boards of directors

- contracted for	1,215	1,215	-	-
- not contracted for	184,678	168,052	165,395	153,177
	185,893	169,267	165,395	153,177

7. INVESTMENTS

Subsidiary companies:

Unquoted shares at cost	-	10,798	-	10,798
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Trade:

Kenya Planters' Co-operative Union Limited - loan stock	472	324	472	324
Kenya Co-operative Creameries Limited - deferred shares	4	4	4	4
	476	11,126	476	11,126

The subsidiary companies and the company's shareholding in those companies is set out on page 1. Garton Limited is involved in the cultivation and processing of coffee and Estates Services Limited offers agency services relating to the sale of coffee. Siret Tea Company Limited and Kaguru Limited are dormant.

Kakuzi Limited

NOTES TO THE ACCOUNTS (Continued)

8. GROWING CROPS

	Pineapple project	Other horticultural crops	Coffee	31st December 1994 Total	31st December 1993 Total
	Sh'000	Sh'000	Sh'000	Sh'000	Sh'000
GROUP					
At 1st January/1st March	52,329	1,468	-	53,797	27,462
Expenditure during the year/ period	49,769	3,433	21,621	74,823	41,460
Charged to revenue	(34,487)	(840)	-	(35,327)	(15,125)
	<u>67,611</u>	<u>4,061</u>	<u>21,621</u>	<u>93,293</u>	<u>53,797</u>
Less chargeable to revenue within one year	(36,532)	(1,700)	(21,621)	(59,853)	-
At 31st December 1994	<u>31,079</u>	<u>2,361</u>	<u>-</u>	<u>33,440</u>	<u>53,797</u>
COMPANY					
At 1st January/1st March	52,329	1,468	-	53,797	27,462
Expenditure during the year/ period	49,769	3,433	17,563	70,765	41,460
Charged to revenue	(34,487)	(840)	-	(35,327)	(15,125)
	<u>67,611</u>	<u>4,061</u>	<u>17,563</u>	<u>89,235</u>	<u>53,797</u>
Less chargeable to revenue within one year	(36,532)	(1,700)	(17,563)	(55,795)	-
	<u>31,079</u>	<u>2,361</u>	<u>-</u>	<u>33,440</u>	<u>53,797</u>

9. STOCKS

	31st December 1994		31st December 1993	
	Group	Company	Group	Company
	Sh'000	Sh'000	Sh'000	Sh'000
Coffee	60,265	37,715	49,948	33,408
Tea	31,707	31,707	22,277	22,277
Livestock	22,111	22,111	16,583	16,583
General stores	75,457	66,454	62,156	55,163
	<u>189,540</u>	<u>157,987</u>	<u>150,964</u>	<u>127,431</u>

Kakuzi Limited

NOTES TO THE ACCOUNTS (Continued)

10. BANK OVERDRAFT

The borrowing facilities of the company at Kenya Commercial Bank Limited are secured by a first legal charge over LR Number 10779/1, a debenture of Sh6,000,000 and a further undertaking to execute a legal charge of Sh4,000,000 in favour of the bank if ever called upon to do so. Commercial Bank of Africa Limited holds a letter of undertaking dated 23rd November 1993 to create a legal charge over LR Number 6047, if ever called upon to do so.

The borrowing facilities of the subsidiary, Garton Limited, at Kenya Commercial Bank Limited are secured by a legal charge over its properties LR Numbers 8749 and 10083 for Sh2,000,000 and debentures amounting to Sh4,000,000 in favour of the bank and a letter of undertaking dated 18th March 1991 to execute supplemental debenture(s) and legal charge(s) over LR Number 8749 and 10083 if ever called upon to do so in consideration of the bank agreeing to grant an overdraft facility to the extent of Sh10,000,000. In addition the bank holds a guarantee from Kakuzi Limited of Sh5,000,000 issued on 14th March 1991.

11. DIVIDENDS

	31st December 1994 Sh'000	31st December 1993 Sh'000
Interim unpaid	-	3,772
Final proposed	24,500	16,333
	<u>24,500</u>	<u>20,105</u>

Dividends are stated gross and are subject to 10% withholding tax where applicable.

12. SHARE CAPITAL

	31st December 1994 Sh'000	31st December 1993 Sh'000
Authorised:		
20,000,000 shares of Sh5 each	<u>100,000</u>	<u>100,000</u>
Issued and converted into stock:		
At 1st January/1st March 13,066,666 units of Sh5 each fully paid	65,333	65,333
Bonus issue of 6,533,333 units of Sh5 each fully paid from revenue reserve	<u>32,667</u>	<u>-</u>
At 31st December 19,599,999 units (1993 - 13,066,666 units) of Sh5 each fully paid	<u>98,000</u>	<u>65,333</u>

In accordance with the Articles of Association all fully paid up shares of the company are converted into stock units at the time of issue

Kakuzi Limited

NOTES TO THE ACCOUNTS (Continued)

	Group Sh'000	Company Sh'000
13. CAPITAL RESERVE		
At 1st January 1994	793,342	747,023
Transfer to revenue reserve of revaluation surplus realised on sale of fixed assets	(65)	(65)
At 31st December 1994	<u>793,277</u>	<u>746,958</u>

14. REVENUE RESERVE

At 1st January 1994	449,464	437,561
Capitalised on issue of 6,533,333 bonus shares at Sh5 each fully paid	(32,667)	(32,667)
Transfer from capital reserve of revaluation surplus realised on sale of fixed assets	65	65
Retained profit for the year	<u>164,409</u>	<u>151,750</u>
At 31st December 1994	<u>581,271</u>	<u>556,709</u>

15. LOANS - GROUP AND COMPANY

	31st December 1994 Sh'000	31st December 1993 Sh'000
Loan repayable in monthly instalments by 1999 (see note (a) below)	27,423	29,167
Secured loan repayable in monthly instalments by year 2001 with effect from 1995 (see note (b) below)	<u>70,000</u>	<u>70,000</u>
	97,423	99,167
Less repayable within one year	(5,777)	(1,591)
	<u>91,646</u>	<u>97,576</u>

15. LOANS - GROUP AND COMPANY *(Continued)*

- a) At the balance sheet date the loan attracted interest at 24% per annum. The company has given an undertaking to execute legal charge(s) and debenture(s) as appropriate if ever called upon to do so.
- b) At the balance sheet date the total loan attracted interest at the following rates:
 - Sh42,438,000 20% per annum
 - Sh27,562,000 29% per annum (25% per annum from 1st January 1995)

The total loan is secured by legal charges amounting to Sh95,000,000 over LR Number 10779/1 ranking pari passu with Kenya Commercial Bank Limited's first legal charge and a debenture for Sh25,000,000 over existing assets of the company also ranking pari passu with Kenya Commercial Bank Limited's debenture.

The company has given an undertaking to execute further legal charge(s) as appropriate if ever called upon to do so.

Kakuzi Limited

FIVE YEAR RECORD

	1994	1993	1993/92	1992/91	1991/90
	Sh'000	Sh'000	Sh'000	Sh'000	Sh'000
Turnover	905,139	546,427	362,198	202,726	169,635
Profit before taxation	283,052	219,723	95,684	55,106	29,223
Taxation	(57,495)	(63,609)	(18,732)	(5,513)	(3,338)
Minority interest	225,557 (21,948)	156,114 (10,735)	76,952 (2,894)	49,593 (1,190)	25,885 (514)
Dividends	203,609 (39,200)	145,379 (26,133)	74,058 (19,600)	48,403 (16,333)	25,371 (13,067)
Retained profit for the year	164,409	119,246	54,458	32,070	12,304
Capital and reserves:					
Called up share capital	98,000	65,333	65,333	65,333	65,333
Reserves	1,374,548	1,242,806	443,172	388,766	356,810
	1,472,548	1,308,139	508,505	454,099	422,143
Earnings per stock unit (Sh)	10.39	7.42	5.67	3.70	1.94
Dividends per stock unit (Sh)	2.00	2.00	1.50	1.25	1.00
Dividend cover	5.19	3.71	3.78	2.96	1.94
Net asset value per stock unit (Sh)	75.13	66.74	38.92	34.75	32.31

Notes:

- (a) Financial years reported:
 12 months to 28th February 1991
 12 months to 29th February 1992
 12 months to 28th February 1993
 10 months to 31st December 1993
 12 months to 31st December 1994
- (b) 1993 earnings per stock unit, dividend cover and net asset value per stock unit have been restated to reflect capitalisation of 6,533,333 bonus shares issued in that period.

Kakuzi Limited

FORM OF PROXY (ANNUAL GENERAL MEETING)

I/We
of being a member/members of Kakuzi
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 the Tinga Tinga
Room, The Norfolk Hotel, Harry Thuku Road, Nairobi, Kenya on the Nineteenth day of
May, 1995 and at any adjournment thereof.

As witness my/our hand(s) this day of 1995

Signature

Please indicate with a tick in the space below how you wish your vote to be cast:

The Special Resolution (Item 7 in the
notice of the above mentioned meeting)

FOR

☐

AGAINST

☐

Unless otherwise indicated, the Proxy will vote as he/she thinks fit.

Notes:

- (1) In the case of joint holders, only one need sign as the vote of the senior holder who tenders a vote will alone be counted. Seniority will be determined by the order in which the names appear in the Register of Members. The names of all the joint holders should be stated.
- (2) If the appointor is a corporation, the Proxy must be executed under its common seal or under the hand of an Officer or Attorney duly authorised in writing.
- (3) To be valid, this proxy must be deposited at the Registered Office of the Company not less than 24 hours before the time appointed for holding the meeting.

FOLD 2

STAMP

**The Registrar,
Kakuzi Limited,
PO Box 30572,
Nairobi,
Kenya**

FOLD 1

FOLD 3

INSERT FLAP INSIDE