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Kakuzi Limited

**REPORT AND ACCOUNTS
FOR THE YEAR ENDED
31 DECEMBER 1995**

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Kakuxi Limited

REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1995 CONTENTS

	Page
Company Information	1
Notice of Meeting	2
Chairman's Statement	3 - 5
Report of the Directors	6 - 7
Report of the Auditors	8
Consolidated Profit and Loss Account	9
Consolidated Balance Sheet	10
Company Balance Sheet	11
Consolidated Cash Flow Statement	12 - 13
Statement of Group Accounting Policies	14 - 15
Notes to the Accounts	16 - 23
Five Year Record	24

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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)
C.A. Gardner (British)
Dr. B.M. Gecaga, C.B.S. (Kenyan)
Sir Charles Markham, Bart. (Kenyan)
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)

Kakuzi Limited

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Sixty-eighth ANNUAL GENERAL MEETING of the members will be held at the Tinga Tinga Room, The Norfolk Hotel, Harry Thuku Road, Nairobi, on Friday 24 May 1996 at 11.30 a.m. for the following purposes:-

1. To confirm the minutes of the Annual General Meeting held on 19 May 1995.
2. To receive, consider and if deemed fit, adopt the accounts for the year ended 31 December 1995 together with the reports thereon of the directors and of the auditors.
3. To confirm the interim dividend of 75 cents (15%) per stock unit paid on 16 October 1995 and to declare a final dividend of Sh 1.25 (25%) per stock unit.
4. (a) To re-elect directors.

(b) Dr. B.M. Gecaga, 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:-

"Dr. B.M. Gecaga, 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 transact any other ordinary business which may be transacted at an Annual General Meeting.

By Order of the Board.

M.C. Perkins
Chairman

Nairobi
8 March 1996.

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 31 May 1996 to members on the register at the close of business on 15 May 1996.

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 DECEMBER 1995

The profit for 1995 attributable to Kakuzi shareholders amounted to Sh 67.7 million (1994 - Sh 203.6 million). This can be viewed as moderately satisfactory given some of the difficulties faced during the year which were totally outside our control including the collapse in world coffee and tea prices, the strength of the Kenyan currency and high interest rates. On the positive side, coffee production was very encouraging and both our livestock operation and the pineapple joint venture with Del Monte Kenya Limited provided useful contributions to the profit for the year.

COFFEE

**PRODUCTION IN 1995 - 2137 TONNES FROM 1032 MATURE HA
(PRODUCTION IN 1994 - 1988 TONNES FROM 1067 MATURE HA)**

Production at Makuyu of 1692 tonnes and at Garton of 445 tonnes were both well ahead of budget. However prices on the Nairobi auction fell steadily throughout the year in hard currency terms, and by year end prices had fallen to less than half of the levels realised in late 1994. We continue to believe that prices could be improved by deregulation of coffee marketing which is currently restricted to the auction system.

3.0 ha of new coffee were planted at Kakuzi during 1995, and at Garton 12.3 ha of old coffee were uprooted and replaced during the year.

TEA

**PRODUCTION IN 1995 - 2.3 MILLION KG OF MADE TEA FROM 890 HA
(PRODUCTION IN 1994 - 2.0 MILLION KG OF MADE TEA FROM 881 HA)**

Nandi experienced a more even spread of rainfall throughout 1995 resulting in an improvement in yield per hectare over the previous year as well as a 7% increase over the ten year average. The excess factory capacity allowed leaf to continue to be accepted from outgrowers and the total factory throughput was 3.1 million kg of made tea (1994 - 3.0 million kg of made tea).

During 1995 Kenya produced a record crop of 245 million kg of made tea (1994 - 209 million kg of made tea). The high crop resulted in excess supply thus depressing market prices. The overall average drop in Mombasa auction prices was 14% for the year, with Siret teas following this trend.

Major electrical refurbishment work was carried out in the factory during the year and investment emphasis continues on improvement of community housing and related facilities.

HORTICULTURE

**130 HA DEVELOPED TO HORTICULTURAL CROPS PLUS 772 HA OF
JOINT VENTURE PINEAPPLE AT 31 DECEMBER 1995 (228 HA
DEVELOPED TO HORTICULTURAL CROPS PLUS 663 HA OF JOINT
VENTURE PINEAPPLE AT 31 DECEMBER 1994)**

An agreement was signed to bring a further 493 ha of land into our jointly controlled pineapple project with Del Monte Kenya Limited over the next three years.

CHAIRMAN'S STATEMENT *(Continued)*

I indicated twelve months ago that we had become dissatisfied with the levels of profit attainable from beans and other field crops, production of which we ceased entirely during 1995. During the year we did however plant a further 18 ha of passionfruit, we replanted 7 ha of old passionfruit, and we made an initial planting of 12 ha of citrus.

LIVESTOCK

CATTLE SALES 1152 HEAD (1994 - 1257 HEAD)
SHEEP SALES 585 HEAD (1994 - 601 HEAD)
CATTLE HERD AT 31 DECEMBER 1995 - 4444 HEAD (1994 - 4612 HEAD)
SHEEP FLOCK AT 31 DECEMBER 1995 - 1373 HEAD (1994 - 1397 HEAD)

1995 proved to be another successful year for our livestock operation. Prices for cattle improved during the latter part of the year and demand for our sheep remained strong throughout. We suffered few disease problems.

FORESTRY

Another 172 ha were planted to forestry during 1995, mostly with eucalyptus, bringing the total land under forestry to over 600 ha. The new wood treatment plant satisfied all our internal requirements and began to treat poles and timber for external customers.

GENERAL

During 1995 we moved our finance and administration functions from Nairobi to Makuyu and we expanded our Makuyu offices to accommodate them. We implemented a new housing programme and in addition we renovated many of our existing houses at both Makuyu and Siret. We constructed a new road across the Makuyu estate to link the offices and workshops more directly to the principal coffee and livestock areas.

PROFITS AND DIVIDENDS

The profit after tax attributable to Kakuzi stockholders amounted to Sh 67.7 million for the 12 month period to 31 December 1995. An interim dividend of 15% (1994 - 15%) has already been declared and the Board recommends a final dividend of 25% (1994 - 25%), leaving Sh 28.5 million for transfer to reserves.

PROSPECTS

We experienced good coffee flowering in October and November 1995 which in conjunction with the excellent short rains should give us an above average early crop in June 1996. Coffee prices on the Nairobi auction have recovered somewhat in recent weeks from the extreme lows recorded at the beginning of this year.

It is too early to predict trends for tea prices in 1996 although there does appear to be an underlying improvement in market demand which should be further reflected in prices in due course.

CHAIRMAN'S STATEMENT *(Continued)*

With respect to horticulture, we intend to plant additional areas of avocados, citrus and passionfruit during 1996. Experimentation will continue with asparagus, papaya and grapes.

We shall continue to plant marginal land to forestry and we have scheduled a further 228 ha of plantings for 1996. At the same time we shall continue to intensify the use of pastures for livestock.

Last year I referred to the difficulties experienced by Kenyan exporters due to the poor infrastructure of roads, railways, ports and communications. It is encouraging to note that a start has been made in dealing with these problems but much still needs to be done to enable us to compete on equal terms with our international competitors.

DIRECTORS

Mr. Peter Benson is standing down as a director of the company at the conclusion of the Annual General Meeting. Mr Benson has been a director for 31 years and served as chairman from 1966 to 1986. We shall miss his enormous experience and wise counsel and extend our best wishes to him for the future.

EMPLOYEES

I am sure you would wish me to express the appreciation of the directors and stockholders to all our staff for their contribution to the performance of Kakuzi in 1995.

M.C. Perkins
Chairman

Nairobi
8 March 1996.

Kakuzi Limited

REPORT OF THE DIRECTORS

The directors present their report together with the audited accounts for the year ended 31 December 1995.

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 9 of these accounts.

An interim dividend of 75 cents per stock unit (1994 - 75 cents per stock unit) was paid on 16 October 1995.

The directors propose a final dividend of Sh 1.25 per stock unit (1994 - Sh 1.25 per stock unit) payable on 31 May 1996.

DIRECTORS

The directors who held office since 1 January 1995 and their interests in the share capital of the company are listed below:-

	Number of stock units held at 31-12-1995		Number of stock units held at 31-12-1994	
	Beneficial	Non-Beneficial	Beneficial	Non-Beneficial
M.C. Perkins	-	300	-	300
Dr. T.R. Fowkes	-	300	-	300
K.W. Tarplee	-	75	-	75
C.A. Gardner	3,000	-	3,000	-
F.R. Bibby	225	-	225	-
P.C. B. Benson	444	-	444	-
Sir Charles Markham	3,552	-	3,552	-
Dr. B.M. Gecaga	10,704	-	10,704	-

Under the terms of the Articles of Association, Mr. K.W. Tarplee and Mr. C.A. Gardner retire by rotation and, being eligible, seek re-election.

Dr. B.M. Gecaga, 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.

Kakuzi Limited

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.

SUBSTANTIAL INTERESTS

As at 8 March 1996 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

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

By Order of the Board

Dr. T.R. Fowkes
Managing Director

Nairobi.
8 March 1996.

Kakuzi Limited

REPORT OF THE AUDITORS TO THE MEMBERS OF KAKUZI LIMITED

1. We have audited the accounts set out on pages 9 to 23. The accounts of the company set out on page 11 are in agreement with the books of account. We obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

2. **Respective Responsibilities of Directors and Auditors**

Under the provisions of the Companies Act, the directors are responsible for the preparation of accounts which give a true and fair view of the company's and group's state of affairs and the group's profits or losses. Our responsibility is to express an independent opinion on the accounts based on our audit and to report our opinion to you.

3. **Basis of Opinion**

We conducted our audit in accordance with Kenyan Auditing Standards. These standards require that we plan and perform our audit to obtain reasonable assurance that the accounts are free from material misstatement. An audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the accounts. It also includes an assessment of the accounting policies used and significant estimates made by the directors, as well as an evaluation of the overall presentation of the accounts.

4. **Opinion**

In our opinion proper books of account have been kept and the accounts give a true and fair view of the state of affairs of the company and the group at 31 December 1995 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

8 March 1996.

Kakuzi Limited

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1995

	Note	1995 Sh' 000	1994 Sh' 000
TURNOVER	1	<u>696,582</u>	<u>905,139</u>
PROFIT BEFORE TAXATION	1	84,805	283,052
TAXATION	2	<u>5,089</u>	<u>57,495</u>
PROFIT AFTER TAXATION		79,716	225,557
MINORITY INTEREST		<u>11,983</u>	<u>21,948</u>
PROFIT ATTRIBUTABLE TO THE MEMBERS OF KAKUZI LIMITED	3	67,733	203,609
DIVIDENDS	4	<u>39,200</u>	<u>39,200</u>
RETAINED PROFIT FOR THE YEAR	14	<u>28,533</u>	<u>164,409</u>
EARNINGS PER STOCK UNIT	5	<u>Sh 3.46</u>	<u>Sh 10.39</u>

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Kakuxi Limited

CONSOLIDATED BALANCE SHEET 31 DECEMBER 1995

	Note	1995	1994
		Sh' 000	Sh' 000
FIXED ASSETS	6	1,416,780	1,345,262
INVESTMENTS	7	201	476
GROWING CROPS	8	48,185	33,440
CURRENT ASSETS			
Growing crops	8	71,171	59,853
Stocks	9	206,324	189,540
Debtors		59,923	63,100
Taxation recoverable		12,340	11,496
Due by group companies		6,114	9,752
Short term deposits		-	16,000
Bank balances and cash		10,975	9,396
		366,847	359,137
CURRENT LIABILITIES			
Creditors		74,144	60,059
Bank overdraft	10	70,848	-
Due to group companies		4,545	10,620
Taxation		69	8,031
Dividends	4	24,500	24,500
Loans repayable within one year	11	11,261	5,777
		185,367	108,987
NET CURRENT ASSETS		181,480	250,150
		1,646,646	1,629,328
Loans repayable after more than one year	11	80,698	91,646
		1,565,948	1,537,682
Financed by:			
SHARE CAPITAL	12	98,000	98,000
CAPITAL RESERVE	13	780,983	793,277
REVENUE RESERVE	14	622,098	581,271
STOCKHOLDERS' FUNDS		1,501,081	1,472,548
MINORITY INTEREST		64,867	65,134
		1,565,948	1,537,682

The accounts were approved by the board of directors on 8 March 1996.

Dr. T.R. Fowkes }
F.R. Bibby } Directors

Kakuzi Limited

COMPANY BALANCE SHEET 31 DECEMBER 1995

	Note	1995	1994
		Sh' 000	Sh' 000
FIXED ASSETS	6	1,326,158	1,248,755
INVESTMENTS	7	10,959	11,126
GROWING CROPS	8	48,185	33,440
CURRENT ASSETS			
Growing crops	8	67,345	55,795
Stocks	9	168,015	157,987
Debtors		56,728	61,455
Taxation recoverable		12,287	11,443
Due by subsidiary company		1,088	2,866
Due by group companies		6,114	9,748
Short term deposits		-	7,000
Bank balances and cash		10,798	8,972
		322,375	315,266
CURRENT LIABILITIES			
Creditors		71,945	57,967
Bank overdraft	10	70,475	-
Due to subsidiary companies		16,384	16,418
Due to group companies		4,487	10,612
Dividends	4	24,500	24,500
Loans repayable within one year	11	11,261	5,777
		199,052	115,274
NET CURRENT ASSETS		123,323	199,992
		1,508,625	1,493,313
Loans repayable after more than one year	11	80,698	91,646
		1,427,927	1,401,667
Financed by:			
SHARE CAPITAL	12	98,000	98,000
CAPITAL RESERVE	13	746,858	746,958
REVENUE RESERVE	14	583,069	556,709
STOCKHOLDERS' FUNDS		1,427,927	1,401,667

The accounts were approved by the board of directors on 8 March 1996.

Dr. T.R. Fowkes }
F.R. Bibby } Directors

Kakuzi Limited

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 1995

	Note	1995	1994
		Sh' 000	Sh' 000
NET CASH INFLOW FROM OPERATING ACTIVITIES	A	<u>207,631</u>	<u>336,215</u>
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE:			
Dividends received		534	-
Interest received		763	6,518
Interest paid		(32,414)	(29,237)
Dividends paid		(39,200)	(34,805)
Dividends paid to minority		(12,250)	(12,250)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		<u>(82,567)</u>	<u>(69,774)</u>
TAXATION PAID		<u>(13,895)</u>	<u>(105,944)</u>
CASHFLOWS FROM INVESTING ACTIVITIES:			
Purchase of fixed assets		(134,952)	(143,653)
Expenditure on growing crops		(82,522)	(74,823)
Proceeds on sale of fixed assets		26,225	1,761
Redeemed loan stocks		275	-
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		<u>(190,974)</u>	<u>(216,715)</u>
CASHFLOWS FROM FINANCING ACTIVITIES:			
Loan received		-	27,900
Loans repaid		(5,464)	(24,244)
NET CASH (OUTFLOW) / INFLOW FROM FINANCING ACTIVITIES		<u>(5,464)</u>	<u>3,656</u>
DECREASE IN CASH AND CASH EQUIVALENTS		<u>(85,269)</u>	<u>(52,562)</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		<u>25,396</u>	<u>77,958</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	B	<u>(59,873)</u>	<u>25,396</u>

Kakuzi Limited

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 1995

	1995	1994
	Sh' 000	Sh' 000
A. Reconciliation of operating profit to net cash inflow from operating activities		
Profit before taxation	84,805	283,052
Loan and overdraft interest	31,181	28,565
Dividend receivable	(534)	-
Interest receivable	(996)	(6,315)
Depreciation	47,519	40,070
Growing crop charges	56,459	35,327
Exchange gain on loan repayment	-	(5,400)
Profit on sale of fixed assets	(12,137)	(1,705)
Development expenditure charged to revenue	1,827	-
Increase in stocks	(16,784)	(38,576)
Decrease/(increase) in debtors	3,410	(8,444)
Increase in creditors	15,318	13,030
Decrease in group company balances	(2,437)	(3,389)
Net cash inflow from operating activities	<u>207,631</u>	<u>336,215</u>
B. Cash and cash equivalents at the end of the year		
Short term deposits	-	16,000
Bank balances and cash	10,975	9,396
Bank overdraft	(70,848)	-
	<u>(59,873)</u>	<u>25,396</u>

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Kakuzi Limited

STATEMENT OF GROUP ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 1995

BASIS OF ACCOUNTING

The group prepares its accounts on the historical cost basis of accounting modified to include the revaluation of certain fixed assets and in accordance with applicable accounting standards in Kenya.

CONSOLIDATION

The consolidated accounts comprise the accounts of the parent company and all of its subsidiaries for the year ended 31 December 1995.

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.

FIXED ASSETS

Development expenditure on horticultural crops other than growing crops is capitalised. Fixed assets of the jointly controlled operations are included under the appropriate balance sheet headings.

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 are based on invoiced values. Turnover of the jointly controlled operations is the company's share of income based on estimated realisable value.

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 individual crops.

STOCKS

Stocks are stated at the lower of average cost and net realisable value. Cost comprises expenditure incurred in the normal course of business, including direct material costs, labour and production overheads wherever appropriate. Net realisable value is the price at which the stock can be realised in the normal course of business after allowing for the costs of the realisation. Provision is made for obsolete, slow moving and defective stock.

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 CURRENCY

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.

RETIREMENT BENEFITS

Contributions made to defined contribution schemes are charged to the profit and loss account as incurred.

Kakuzi Limited

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1995

1. TURNOVER AND PROFIT BEFORE TAXATION

	Turnover		Profit/(loss) before taxation	
	1995 Sh' 000	1994 Sh' 000	1995 Sh' 000	1994 Sh' 000
Coffee	271,250	367,478	79,534	190,468
Tea	203,674	256,327	18,986	70,734
Livestock	22,681	27,023	14,029	18,267
Horticulture	196,881	254,279	(18,637)	16,966
Afforestation	2,096	32	(1,894)	(1,164)
Other operating profit	-	-	23,968	16,346
Interest payable	-	-	(31,181)	(28,565)
	<u>696,582</u>	<u>905,139</u>	<u>84,805</u>	<u>283,052</u>

Profit before taxation is stated after charging:

	1995		1994	
	Group Sh' 000	Company Sh' 000	Group Sh' 000	Company Sh' 000
Directors' emoluments:				
- Fees	610	600	660	600
- Other emoluments	8,699	8,699	2,734	2,734
- Pension contributions	1,040	1,040	452	452
- Payment to past director	20	20	20	20
Depreciation	47,519	44,138	40,070	37,535
Auditors' remuneration:				
- current year	2,457	1,986	2,134	1,816
- previous year underprovision	-	-	826	666
Bank overdraft interest	9,599	9,476	4,396	4,310
Loan interest	21,582	21,582	24,169	24,169
	<u></u>	<u></u>	<u></u>	<u></u>

and after crediting:

Profit on sale of fixed assets	12,137	2,731	1,705	1,705
Deposit interest	940	353	6,259	4,264
Dividend	534	534	-	-
Loan interest	56	41	56	41
Exchange gains	11,677	10,464	11,176	11,002
	<u></u>	<u></u>	<u></u>	<u></u>

Kakuzi Limited

NOTES TO THE ACCOUNTS (Continued)

2. TAXATION

CURRENT TAXATION	1995 Sh' 000	1994 Sh' 000
The taxation charge comprises:		
Income tax based on the taxable profit for the year at 35%	6,087	53,643
Previous year (over) / under provision	(998)	20
Drought levy at 2.5%	-	3,832
	<u>5,089</u>	<u>57,495</u>

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

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 31 December 1995	3,278	1,203
At 31 December 1994	13,047	11,765

3. PROFIT ATTRIBUTABLE TO THE MEMBERS OF KAKUZI LIMITED

The consolidated profit attributable to members of Kakuzi Limited includes a profit of Sh 65,460,033 (31 December 1994 - Sh190,949,749) which has been dealt with in the accounts of Kakuzi Limited.

4. DIVIDENDS

	1995 Sh' 000	1994 Sh'000
Dividends per stock unit are as follows:-		
Interim paid of 75 cents (31 December 1994 - 75 cents)	14,700	14,700
Proposed final of Sh 1.25 (31 December 1994 - Sh 1.25)	24,500	24,500
	<u>39,200</u>	<u>39,200</u>

5. EARNINGS PER STOCK UNIT

Earnings per stock unit are calculated on the profits attributable to each of the 19,599,999 stock units in issue at 31 December 1995 based on the consolidated profit after tax, and after deducting the minority interest.

Kakuzi Limited

NOTES TO THE ACCOUNTS (Continued)

6. FIXED ASSETS - GROUP

	Freehold & 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 1 January 1995	1,286,743	52,095	92,333	27,952	18,845	1,477,968
Transfers	8,733	8,612	-	5	(17,350)	-
Additions	74,073	18,383	17,641	10,210	14,645	134,952
Disposals	(16,038)	(30)	(4,660)	(110)	-	(20,838)
At 31 December 1995	<u>1,353,511</u>	<u>79,060</u>	<u>105,314</u>	<u>38,057</u>	<u>16,140</u>	<u>1,592,082</u>
Comprising:						
Cost	269,067	75,984	104,147	37,423	16,140	502,761
Valuation - 1978	11,409	3,076	1,167	634	-	16,286
Valuation - 1993	<u>1,073,035</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,073,035</u>
	<u>1,353,511</u>	<u>79,060</u>	<u>105,314</u>	<u>38,057</u>	<u>16,140</u>	<u>1,592,082</u>
DEPRECIATION						
At 1 January 1995	65,635	14,804	43,417	8,850	-	132,706
Charge for the year	21,690	5,317	16,164	4,348	-	47,519
Disposals	(725)	(30)	(4,088)	(80)	-	(4,923)
At 31 December 1995	<u>86,600</u>	<u>20,091</u>	<u>55,493</u>	<u>13,118</u>	<u>-</u>	<u>175,302</u>
NET BOOK VALUE						
At 31 December 1995	<u>1,266,911</u>	<u>58,969</u>	<u>49,821</u>	<u>24,939</u>	<u>16,140</u>	<u>1,416,780</u>
At 31 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>

Kakuzi Limited

NOTES TO THE ACCOUNTS (Continued)

6. FIXED ASSETS - COMPANY

	Freehold & 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 1 January 1995	1,196,987	45,613	82,740	27,064	15,774	1,368,178
Transfers	8,390	5,886	-	5	(14,281)	-
Additions	70,851	17,347	13,855	10,080	11,836	123,969
Disposals	(2,038)	(30)	(4,111)	(110)	-	(6,289)
At 31 December 1995	<u>1,274,190</u>	<u>68,816</u>	<u>92,484</u>	<u>37,039</u>	<u>13,329</u>	<u>1,485,858</u>
Comprising:						
Cost	257,008	67,258	91,396	36,579	13,329	465,570
Valuation - 1978	10,157	1,558	1,088	460	-	13,263
Valuation - 1993	<u>1,007,025</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,007,025</u>
	<u>1,274,190</u>	<u>68,816</u>	<u>92,484</u>	<u>37,039</u>	<u>13,329</u>	<u>1,485,858</u>
DEPRECIATION						
At 1 January 1995	60,113	12,469	38,564	8,277	-	119,423
Charge for the year	20,879	4,686	14,291	4,282	-	44,138
Disposals	<u>(211)</u>	<u>(30)</u>	<u>(3,540)</u>	<u>(80)</u>	<u>-</u>	<u>(3,861)</u>
At 31 December 1995	<u>80,781</u>	<u>17,125</u>	<u>49,315</u>	<u>12,479</u>	<u>-</u>	<u>159,700</u>
NET BOOK VALUE						
At 31 December 1995	<u>1,193,409</u>	<u>51,691</u>	<u>43,169</u>	<u>24,560</u>	<u>13,329</u>	<u>1,326,158</u>
At 31 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>

GHA-LIM-1995

Kakuzi Limited

NOTES TO THE ACCOUNTS (Continued)

6. FIXED ASSETS (Continued)

The leasehold properties have unexpired periods in excess of 900 years with the exception of two properties, one of which was revalued at Sh 50,000,000 and has an unexpired period of 58 years and the other, which was revalued at Sh 7,000,000 and has an unexpired period of 70 years.

	1995		1994	
	Group Sh' 000	Company Sh' 000	Group Sh' 000	Company Sh' 000
Certain assets are fully depreciated as shown below:				
Cost or valuation	37,639	30,751	37,897	31,322
Normal depreciation charge for the year	4,500	3,627	4,566	3,870

FUTURE CAPITAL EXPENDITURE

Authorised by the respective boards of directors:

- contracted for	4,627	3,070	1,215	1,215
- not contracted for	190,836	178,124	184,678	168,052
	195,463	181,194	185,893	169,267

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	189	149	472	324
Kenya Co-operative Creameries Limited - deferred shares	4	4	4	4
Kenya Tea Packers Limited - ordinary shares	8	8	-	-
	201	10,959	476	11,126

The subsidiary companies and the company's shareholding in those companies are 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 Sh' 000	Other horticultural crops Sh' 000	Coffee Sh' 000	1995 Total Sh' 000	1994 Total Sh' 000
GROUP					
At 1 January 1995	67,611	4,061	21,621	93,293	53,797
Expenditure during the year	50,139	7,086	25,297	82,522	74,823
Charged to revenue	(31,675)	(3,163)	(21,621)	(56,459)	(35,327)
At 31 December 1995	86,075	7,984	25,297	119,356	93,293
Chargeable to revenue within one year	42,789	3,085	25,297	71,171	59,853
Chargeable to revenue after more than one year	43,286	4,899	-	48,185	33,440
COMPANY					
At 1 January 1995	67,611	4,061	17,563	89,235	53,797
Expenditure during the year	50,139	7,086	21,471	78,696	70,765
Charged to revenue	(31,675)	(3,163)	(17,563)	(52,401)	(35,327)
At 31 December 1995	86,075	7,984	21,471	115,530	89,235
Chargeable to revenue within one year	42,789	3,085	21,471	67,345	55,795
Chargeable to revenue after more than one year	43,286	4,899	-	48,185	33,440

	1995		1994	
	Group Sh' 000	Company Sh' 000	Group Sh' 000	Company Sh' 000
9. STOCKS				
Coffee	109,318	74,426	60,265	37,715
Tea	24,174	24,174	31,707	31,707
Livestock	27,208	27,208	22,111	22,111
General stores	45,624	42,207	75,457	66,454
	206,324	168,015	189,540	157,987

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 Sh 6,000,000 and a further undertaking to execute a legal charge of Sh 4,000,000 in favour of the bank if ever called upon to do so. Commercial Bank of Africa Limited holds a letter of undertaking dated 23 November 1993 from the company to create a legal charge in favour of the bank 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 Sh 2,000,000 and debentures amounting to Sh 4,000,000 in favour of the bank and a letter of undertaking dated 18 March 1991 to execute supplemental debentures and legal charges over LR Numbers 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 Sh 10,000,000. In addition the bank holds a guarantee from Kakuzi Limited of Sh 10,000,000 issued on 17 February 1995.

	1995 Sh' 000	1994 Sh' 000
11. LOANS - GROUP AND COMPANY		
Loan repayable in monthly instalments by 1999 (see note (a) below)	23,782	27,423
Secured loan repayable in monthly instalments by year 2001 (see note (b) below)	68,177	70,000
	91,959	97,423
Less repayable within one year	(11,261)	(5,777)
	80,698	91,646

a) At the balance sheet date the loan attracted interest at 24% per annum. The company has given an undertaking to execute legal charges and debentures as appropriate if ever called upon to do so.

b) At the balance sheet date the total loan attracted interest at the following rates:-

Sh 41,176,248 - 20% per annum
Sh 27,000,995 - 24% per annum

The total loan is secured by legal charges amounting to Sh 95,000,000 over LR Number 10779/1 ranking pari passu with Kenya Commercial Bank Limited's first legal charge and a debenture for Sh 25,000,000 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 charges as appropriate if ever called upon to do so.

Kakuzi Limited

NOTES TO THE ACCOUNTS (Continued)

12. SHARE CAPITAL

	1995 Sh' 000	1994 Sh' 000
Authorised:		
20,000,000 shares of Sh 5 each	<u>100,000</u>	<u>100,000</u>
Issued and converted into stock:		
19,599,999 units of Sh 5 each fully paid (1994 13,066,666 units)	98,000	65,333
6,533,333 units bonus issue of Sh 5 each fully paid from revenue reserve	-	32,667
	<u>98,000</u>	<u>98,000</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.

	Group Sh' 000	Company Sh' 000
13. CAPITAL RESERVE		
At 1 January 1995	793,277	746,958
Transfer to revenue reserve of revaluation surplus realised on sale of fixed assets	(12,294)	(100)
At 31 December 1995	<u>780,983</u>	<u>746,858</u>

14. REVENUE RESERVE

At 1 January 1995	581,271	556,709
Transfer from capital reserve of revaluation surplus realised on sale of fixed assets	12,294	100
Retained profit for the year	28,533	26,260
At 31 December 1995	<u>622,098</u>	<u>583,069</u>

Kakuzi Limited

FIVE YEAR RECORD

	1995	1994	1993	1993/2	1992/91
	Sh' 000	Sh' 000	Sh' 000	Sh' 000	Sh' 000
Turnover	696,582	905,139	546,427	362,198	202,726
Profit before taxation	84,805	283,052	219,723	95,684	55,106
Taxation	(5,089)	(57,495)	(63,609)	(18,732)	(5,513)
Minority interest	79,716 (11,983)	225,557 (21,948)	156,114 (10,735)	76,952 (2,894)	49,593 (1,190)
Dividends	67,733 (39,200)	203,609 (39,200)	145,379 (26,133)	74,058 (19,600)	48,403 (16,333)
Retained profit for the year	28,533	164,409	119,246	54,458	32,070
Capital and reserves:					
Called up share capital	98,000	98,000	65,333	65,333	65,333
Reserves	1,403,081	1,374,548	1,242,806	443,172	388,766
	1,501,081	1,472,548	1,308,139	508,505	454,099
Earnings per stock unit (Sh)	3.46	10.39	7.42	5.67	3.70
Dividends per stock unit (Sh)	2.00	2.00	2.00	1.50	1.25
Dividend cover	1.73	5.19	3.71	3.78	2.96
Net asset value per stock unit (Sh)	76.59	75.13	66.74	38.92	34.75

Notes:

(a) Financial years reported:

12 months to 29 February 1992
 12 months to 28 February 1993
 10 months to 31 December 1993
 12 months to 31 December 1994
 12 months to 31 December 1995

(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 Twenty fourth day of May, 1996 and at any adjournment thereof.

As witness my/our hand(s) this day of 1996

Signature

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,
P O Box 30572,
Nairobi,
Kenya**

FOLD 1

FOLD 3

INSERT FLAP INSIDE

CMA-LIBRARY