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Kakuzi Limited

**REPORT AND ACCOUNTS
FOR THE YEAR ENDED
31 DECEMBER 1996**

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Kakuzi Limited

REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1996 CONTENTS

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1. Tea trade -- Kenya -- Periodicals
2. Tea trade -- Lakeland -- Kenya

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Kakuzi Limited

COMPANY INFORMATION

DIRECTORS:

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

*British

SECRETARY AND REGISTERED OFFICE:

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

REGISTRARS:

Barclays Advisory and Registrar Services Limited,
Barclays Plaza,
Loita Street,
P.O. Box 30120,
Nairobi.

LONDON TRANSFER AGENTS:

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

AUDITORS:

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

BANKERS:

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

Commercial Bank of Africa Limited,
P.O. Box 45136,
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-ninth ANNUAL GENERAL MEETING of the members will be held at the Tinga Tinga Room, The Norfolk Hotel, Harry Thuku Road, Nairobi, on Tuesday 27 May 1997 at 11.30 a.m. for the following purposes:-

1. To confirm the minutes of the Annual General Meeting held on 24 May 1996.
2. To receive, consider and if deemed fit, adopt the accounts for the year ended 31 December 1996 together with the reports thereon of the directors and of the auditors.
3. To confirm the Interim dividend of 80 cents (16%) per stock unit paid on 16 October 1996 and to declare a final dividend of Sh. 1.40 (28%) per stock unit.
4. To re-elect directors.
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
7 March 1997.

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 30 May 1997 to members on the register at the close of business on 7 May 1997.

CHAIRMAN'S STATEMENT

The profit attributable to Kakuzi shareholders for 1996 after tax and minority interests amounted to Sh. 142.1 million (1995 - Sh. 67.7 million). This represents a very satisfactory improvement particularly in the light of the on-going strength of the shilling and the extremely high interest rates we have to pay on our borrowings.

COFFEE

PRODUCTION IN 1996 - 2253 TONNES FROM 1065 MATURE HA
(PRODUCTION IN 1995 - 2137 TONNES FROM 1032 MATURE HA)

Production at both Kakuzi and Garton was well ahead of budget and exceeded 1995 levels. Prices on the Nairobi auction were unexciting throughout the year until mid-November, since when they have climbed steadily. During 1996 we replanted 11.4 ha at Garton. Our 1993 and 1994 plantings have established well and are now in full production. We continue to press for deregulation of coffee marketing which is currently restricted to the auction system as we are convinced that better prices could thereby be obtained for producers.

TEA

PRODUCTION IN 1996 - 2.3 MILLION KG OF MADE TEA FROM 910 HA
(PRODUCTION IN 1995 - 2.3 MILLION KG OF MADE TEA FROM 890 HA)

Hail storms and an uneven spread of rainfall adversely affected the crop at Siret which, although similar to 1995 levels, did not reach full potential. The total factory throughput was similar to 1995 at 3.1 million kg of made tea.

Kenya again had a record production year at 257 million kg of made tea (1995 - 245 million kg of made tea) and it was encouraging to see all teas being taken up on the auction. The quality of Siret teas improved somewhat during the year, and prices for our type of tea improved slightly in spite of Kenya's record production.

A further 10.5 ha of tea was planted during the year. Twenty community houses were built at Siret and improvements made to the domestic and factory water supply facilities. Attention was also given to upgrading of tea leaf transport facilities.

HORTICULTURE

222 HA DEVELOPED TO HORTICULTURAL CROPS PLUS 953 HA OF JOINT VENTURE PINEAPPLE AT 31 DECEMBER 1996 (130 HA DEVELOPED TO HORTICULTURAL CROPS PLUS 772 HA OF JOINT VENTURE PINEAPPLE AT 31 DECEMBER 1995).

During 1996 we planted 52 ha of avocados and a further 14 ha of citrus. In addition we extended our plantings of passion fruit by 24 ha. We continue to experiment with small areas of asparagus, papaya and grapes, and we have 13 ha of pineapple to be sold as fresh fruit on the local market. We increased the amount of land in our jointly controlled canned pineapple project with Del Monte Kenya Limited which again produced a useful contribution to Group profits.

Kakuzi Limited

CHAIRMAN'S STATEMENT *(Continued)*

LIVESTOCK

CATTLE SALES 1144 HEAD (1995 - 1152 HEAD)
SHEEP SALES 509 HEAD (1995 - 585 HEAD)
CATTLE HERD AT 31 DECEMBER 1996 - 4105 HEAD (1995 - 4444 HEAD)
SHEEP FLOCK AT 31 DECEMBER 1996 - 1467 HEAD (1995 - 1373 HEAD)

1996 proved to be another successful year for our livestock operations. Prices for cattle and sheep remained firm throughout the year and we suffered few disease problems.

FORESTRY

New plantings were restricted by the poor rains. We undertook no plantings on the long rains, and we were able to plant only 72 ha in the short rains. In addition we continued the infilling of all existing plantations. Our wood treatment plant continued to operate effectively, satisfying all our internal requirements in addition to some external sales.

GENERAL

We made considerable improvements to our housing stock, both by constructing new houses and by renovating older buildings. We also continued to invest in the expansion of our irrigation infrastructure. The security situation deteriorated markedly during the year and we shall be forced to invest in more robust security measures to protect our employees, our fixed assets and our crops.

PROFITS AND DIVIDENDS

The profit after tax attributable to Kakuzi stockholders amounted to Sh. 142.1 million for the 12 month period to 31 December 1996. An interim dividend of 16% (1995 - 15%) has already been declared and the Board recommends a final dividend of 28% (1995 - 25%), leaving Sh. 99.0 million for transfer to reserves.

PROSPECTS

The recent hot dry weather will affect both the yield and quality of coffee. Additional irrigation works we shall carry out during 1997 will reduce the effect of drought in future years. Coffee prices on the Nairobi coffee auction have improved during the past three months to levels last achieved in late 1994. We hope these prices will hold, aided by the expected shortfall in the Kenyan 1997 early crop.

We intend to continue planting additional areas to avocados. The existing areas of citrus and passionfruit will be consolidated and the experimentation with asparagus, papaya and grapes will continue. It is likely that yields of pineapples will suffer the effects of poor rain distribution and power rationing to irrigation pumps.

New forestry plantings are particularly susceptible to drought but the area under trees will be expanded as weather conditions allow. Work is underway to provide a piped water supply to a further 500 ha of fenced cattle pastures.

Kakuzi Limited

CHAIRMAN'S STATEMENT *(Continued)*

EMPLOYEES

This has not been an easy year for our employees and I would particularly like to express the appreciation of the directors and stockholders to all our staff for their contribution to the performance of Kakuzi in 1996.

M. C. Perkins
Chairman

Nairobi
7 March 1997.

Kakuzi Limited

REPORT OF THE DIRECTORS

The directors present their report together with the audited accounts for the year ended 31 December 1996.

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
- Forestry development

RESULTS AND DIVIDENDS

The results for the year are shown on page 9 of these accounts.

An interim dividend of 80 cents per stock unit (1995 - 75 cents per stock unit) was paid on 16 October 1996.

The directors propose a final dividend of Sh 1.40 per stock unit (1995 - Sh 1.25 per stock unit) payable on 30 May 1997.

DIRECTORS

The directors who held office since 1 January 1996 and their interests in the share capital of the company are listed below:-

	Number of stock units held at 31-12-1996		Number of stock units held at 31-12-1995	
	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	-
Sir Charles Markham	3,552	-	3,552	-
Dr. B. M. Gecaga	10,704	-	10,704	-

Mr. P. C. B. Benson, MBE retired on 24 May 1996.

Under the terms of the Articles of Association, Mr. M. C. Perkins and Mr. F. R. Bibby retire by rotation and, being eligible, seek re-election.

Kakuxi 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.

SECRETARY

Mrs. M. A. Pandit was appointed secretary in place of Mr. J. L. G. Maonga on 7 March 1997.

SUBSTANTIAL INTERESTS

As at 7 March 1997 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.
7 March 1997.

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 1996 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

7 March 1997.

Kakuzi limited

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1996

		1996	1995
	Note	Sh '000	Sh '000
TURNOVER	1	<u>939,644</u>	<u>696,582</u>
GROUP PROFIT BEFORE INTEREST	1	185,057	114,990
INTEREST			
- Payable		36,733	31,181
- Receivable		(266)	(996)
NET INTEREST PAYABLE		<u>36,467</u>	<u>30,185</u>
PROFIT BEFORE TAXATION		148,590	84,805
TAXATION	2	<u>2,467</u>	<u>5,089</u>
PROFIT AFTER TAXATION		146,123	79,716
MINORITY INTERESTS		<u>4,025</u>	<u>11,983</u>
PROFIT ATTRIBUTABLE TO THE MEMBERS OF KAKUZI LIMITED	3	142,098	67,733
DIVIDENDS	4	43,120	39,200
RETAINED PROFIT FOR THE YEAR	14	<u>98,978</u>	<u>28,533</u>
		Sh.	Sh.
EARNINGS PER STOCK UNIT	5	<u>7.25</u>	<u>3.46</u>

Kakuzi Limited

CONSOLIDATED BALANCE SHEET 31 DECEMBER 1996

	Note	1996	1995
		Sh '000	Sh '000
FIXED ASSETS	6	1,531,836	1,416,780
INVESTMENTS	7	201	201
GROWING CROPS	8	80,962	48,185
CURRENT ASSETS			
Growing crops	8	89,902	71,171
Stocks	9	184,629	206,324
Debtors		85,295	59,923
Taxation recoverable		18,210	12,340
Due by related companies		3,546	6,114
Bank balances and cash		10,556	10,975
		392,138	366,847
CURRENT LIABILITIES			
Creditors		86,600	74,144
Bank overdrafts (secured)		138,810	70,848
Due to related companies		6,822	4,545
Taxation		124	69
Dividends	4	27,440	24,500
Loans repayable within one year	11	14,826	11,261
		274,622	185,367
NET CURRENT ASSETS		117,516	181,480
		1,730,515	1,646,646
Loans repayable after more than one year	11	66,463	80,698
		1,664,052	1,565,948
SHARE CAPITAL	12	98,000	98,000
CAPITAL RESERVE	13	780,719	780,983
REVENUE RESERVE	14	721,340	622,098
STOCKHOLDERS' FUNDS		1,600,059	1,501,081
MINORITY INTERESTS		63,993	64,867
		1,664,052	1,565,948

The accounts were approved by the Board of Directors on 7 March 1997.

Dr. T. R. Fowkes
F. R. Bibby

)
) Directors
)

Kakuxi Limited

COMPANY BALANCE SHEET 31 DECEMBER 1996

	Note	1996	1995
		Sh '000	Sh '000
FIXED ASSETS	6	1,433,776	1,326,158
INVESTMENTS	7	10,959	10,959
GROWING CROPS	8	80,962	48,185
CURRENT ASSETS			
Growing crops	8	85,426	67,345
Stocks	9	151,139	168,015
Debtors		83,922	56,728
Taxation recoverable		18,157	12,287
Due by subsidiary company		-	1,088
Due by related companies		3,498	6,114
Bank balances and cash		10,166	10,798
		352,308	322,375
CURRENT LIABILITIES			
Creditors		81,995	71,945
Bank overdrafts (secured)		136,229	70,475
Due to subsidiary companies		16,423	16,384
Due to related companies		6,814	4,487
Dividends	4	27,440	24,500
Loans repayable within one year	11	14,826	11,261
		283,727	199,052
NET CURRENT ASSETS		68,581	123,323
		1,594,278	1,508,625
Loans repayable after more than one year	11	66,463	80,698
		1,527,815	1,427,927
SHARE CAPITAL	12	98,000	98,000
CAPITAL RESERVE	13	746,594	746,858
REVENUE RESERVE	14	683,221	583,069
STOCKHOLDERS' FUNDS		1,527,815	1,427,927

The accounts were approved by the Board of Directors on 7 March 1997.

Dr. T. R. Fowkes
F. R. Bibby

)
) Directors
)

Kakuzi Limited

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 1996

		1996	1995
	Note	Sh '000	Sh '000
NET CASH INFLOW FROM OPERATING ACTIVITIES	A	<u>325,111</u>	<u>207,631</u>
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE:			
Dividends received		596	534
Interest received		254	763
Interest paid		(36,278)	(32,414)
Dividends paid		(40,180)	(39,200)
Dividends paid to minority		<u>(4,900)</u>	<u>(12,250)</u>
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		<u>(80,508)</u>	<u>(82,567)</u>
TAXATION PAID		<u>(8,281)</u>	<u>(13,895)</u>
CASHFLOWS FROM INVESTING ACTIVITIES:			
Purchase of fixed assets		(172,147)	(134,952)
Expenditure on growing crops		(125,089)	(82,522)
Proceeds on sale of fixed assets		3,203	26,225
Redeemed loan stocks		-	275
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		<u>(294,033)</u>	<u>(190,974)</u>
CASHFLOWS FROM FINANCING ACTIVITIES:			
Loans repaid		<u>(10,670)</u>	<u>(5,464)</u>
NET CASH OUTFLOW FROM FINANCING ACTIVITIES		<u>(10,670)</u>	<u>(5,464)</u>
DECREASE IN CASH AND CASH EQUIVALENTS		<u>(68,381)</u>	<u>(85,269)</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		<u>(59,873)</u>	<u>25,396</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	B	<u>(128,254)</u>	<u>(59,873)</u>

Kakuzi Limited

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 1996

	1996	1995
	Sh '000	Sh '000
A. Reconciliation of operating profit to net cash inflow from operating activities		
Profit before taxation	148,590	84,805
Loan and overdraft interest	36,733	31,181
Dividend receivable	(596)	(534)
Interest receivable	(266)	(996)
Depreciation	53,433	47,519
Loss/(profit) on sale of fixed Assets	455	(12,137)
Development expenditure charged to revenue	-	1,827
Operating Profit	238,349	151,665
Growing crop charges	73,581	56,459
Decrease/(increase) in stocks	21,695	(16,784)
(Increase)/decrease in debtors	(25,360)	3,410
Increase in creditors	12,001	15,318
Decrease/(increase) in related company balances	4,845	(2,437)
Net cash inflow from operating activities	325,111	207,631
B. Cash and cash equivalents at the end of the year		
Bank balances and cash	10,556	10,975
Bank overdrafts	(138,810)	(70,848)
	(128,254)	(59,873)

Kakuzi Limited

STATEMENT OF GROUP ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 1996

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 1996.

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, forestry 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 cost of the realisation. Provision is made for obsolete, slow moving and defective stock.

TAXATION

Current taxation is provided on the basis of the results of 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. Service gratuities accruing to employees under the Collective Bargaining Agreements with the Trade Union are charged to the profit and loss account as incurred.

Kakuzi Limited

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1996

1. GROUP TURNOVER AND PROFIT BEFORE INTEREST

	Turnover		Profit before interest	
	1996	1995	1996	1995
	Sh '000	Sh '000	Sh '000	Sh '000
Coffee	349,615	271,250	91,270	97,195
Tea	267,189	203,674	47,151	18,986
Livestock	27,520	22,681	21,511	15,308
Horticulture	288,480	196,881	57,484	1,829
Forestry	6,840	2,096	544	664
Other operating profit	-	-	24,619	39,223
Administration expenses	-	-	(57,522)	(58,215)
	<u>939,644</u>	<u>696,582</u>	<u>185,057</u>	<u>114,990</u>

Profit before taxation is
stated after charging:

Directors' emoluments:

-Fees	535	610
-Other emoluments	9,000	8,699
-Pension contributions	1,099	1,040
-Payment to past directors	104	20
Depreciation	53,433	47,519
Auditors' remuneration:		
-current year	2,855	2,457
-previous year under provision	278	-
Loss on disposal of fixed assets	455	-
Bank overdraft interest	15,405	9,599
Interest on loans	<u>21,328</u>	<u>21,582</u>

and after crediting:

Profit on sale of fixed assets	-	12,137
Deposit interest	247	940
Dividend	596	534
Interest on loan stock	19	56
Exchange gains	<u>12,253</u>	<u>11,677</u>

Kakuzi Limited

NOTES TO THE ACCOUNTS (Continued)

2. TAXATION

CURRENT TAXATION	1996 Sh '000	1995 Sh '000
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The taxation charge comprises:

Income tax based on the taxable profit for the year at 35%	2,460	6,087
Previous year under/(over) provision	7	(998)
	<u>2,467</u>	<u>5,089</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

The amount of potential deferred taxation liability not provided in the accounts was:

	Group Sh '000	Company Sh '000
At 31 December 1996	1,753	-
At 31 December 1995	3,278	1,203

3. PROFIT ATTRIBUTABLE TO THE MEMBERS OF KAKUZI LIMITED

The consolidated profit attributable to the members of Kakuzi Limited includes a profit of Sh. 143,008,992 (31 December 1995 - Sh. 65,460,033) which has been dealt with in the accounts of Kakuzi Limited.

4. DIVIDENDS

	1996 Sh '000	1995 Sh '000
Dividends per stock unit are as follows:-		
Interim paid of 80 cents (31 December 1995 - 75 cents)	15,680	14,700
Proposed final of Sh 1.40 (31 December 1995 - Sh 1.25)	27,440	24,500
	<u>43,120</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 1996 based on the consolidated profit after tax, and after deducting the minority interests.

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 1996	1,353,511	79,060	105,314	38,057	16,140	1,592,082
Transfers	12,185	3,410	-	-	(15,595)	-
Additions	94,418	2,075	22,894	6,613	46,147	172,147
Disposals	(279)	(2,049)	(2,712)	(1,218)	-	(6,258)
At 31 December 1996	<u>1,459,835</u>	<u>82,496</u>	<u>125,496</u>	<u>43,452</u>	<u>46,692</u>	<u>1,757,971</u>
Comprising:						
Cost	375,670	79,420	124,329	42,818	46,692	668,929
Valuation - 1978	11,130	3,076	1,167	634	-	16,007
Valuation - 1993	<u>1,073,035</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,073,035</u>
	<u>1,459,835</u>	<u>82,496</u>	<u>125,496</u>	<u>43,452</u>	<u>46,692</u>	<u>1,757,971</u>
DEPRECIATION						
At 1 January 1996	86,600	20,091	55,493	13,118	-	175,302
Charge for the year	24,246	5,611	18,728	4,848	-	53,433
Relating to disposals	(279)	(484)	(1,593)	(244)	-	(2,600)
At 31 December 1996	<u>110,567</u>	<u>25,218</u>	<u>72,628</u>	<u>17,722</u>	<u>-</u>	<u>226,135</u>
NET BOOK VALUE						
At 31 December 1996	<u>1,349,268</u>	<u>57,278</u>	<u>52,868</u>	<u>25,730</u>	<u>46,692</u>	<u>1,531,836</u>
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>

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 1996	1,274,190	68,816	92,484	37,039	13,329	1,485,858
Transfers	11,835	1,494	-	-	(13,329)	-
Additions	89,310	540	20,782	5,852	43,883	160,367
Disposals	(279)	(2,049)	(2,712)	(1,217)	-	(6,257)
At 31 December 1996	<u>1,375,056</u>	<u>68,801</u>	<u>110,554</u>	<u>41,674</u>	<u>43,883</u>	<u>1,639,968</u>
Comprising:						
Cost	358,153	67,243	109,466	41,214	43,883	619,959
Valuation - 1978	9,878	1,558	1,088	460	-	12,984
Valuation - 1993	1,007,025	-	-	-	-	1,007,025
	<u>1,375,056</u>	<u>68,801</u>	<u>110,554</u>	<u>41,674</u>	<u>43,883</u>	<u>1,639,968</u>
DEPRECIATION						
At 1 January 1996	80,781	17,125	49,315	12,479	-	159,700
Charge for the year	23,127	4,723	16,556	4,686	-	49,092
Relating to disposals	(279)	(484)	(1,593)	(244)	-	(2,600)
At 31 December 1996	<u>103,629</u>	<u>21,364</u>	<u>64,278</u>	<u>16,921</u>	<u>-</u>	<u>206,192</u>
NET BOOK VALUE						
At 31 December 1996	<u>1,271,427</u>	<u>47,437</u>	<u>46,276</u>	<u>24,753</u>	<u>43,883</u>	<u>1,433,776</u>
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>

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 57 years and the other, which was revalued at Sh 7,000,000 and has an unexpired period of 69 years. The foregoing directors' valuation of the two properties were based on a cautious estimate of the open market value on 1 March 1993.

	1996		1995	
Certain assets are fully depreciated as shown below:	Group Sh '000	Company Sh '000	Group Sh '000	Company Sh '000
Cost or valuation	48,137	41,759	37,639	30,751
Notional depreciation charge for the year	6,431	5,680	4,500	3,627

FUTURE CAPITAL EXPENDITURE

Authorised by the respective boards of directors:

- contracted for	7,788	7,338	4,627	3,070
- not contracted for	261,634	240,439	190,836	178,124
	269,422	247,777	195,463	181,194

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	189	149
Kenya Co-operative Creameries Limited - deferred shares	4	4	4	4
Kenya Tea Packers Limited - ordinary shares	8	8	8	8
	201	10,959	201	10,959

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 Sh '000	Other Horticultural Crops Sh '000	Coffee Sh '000	1996 Total Sh '000	1995 Total Sh '000
GROUP					
At 1 January 1996	86,075	7,984	25,297	119,356	93,293
Expenditure during the year	76,539	12,397	36,153	125,089	82,522
Charged to revenue	(37,736)	(10,548)	(25,297)	(73,581)	(56,459)
At 31 December 1996	<u>124,878</u>	<u>9,833</u>	<u>36,153</u>	<u>170,864</u>	<u>119,356</u>
Chargeable to revenue within one year	50,671	3,078	36,153	89,902	71,171
Chargeable to revenue after more than one year	<u>74,207</u>	<u>6,755</u>	<u>-</u>	<u>80,962</u>	<u>48,185</u>
COMPANY					
At 1 January 1996	86,075	7,984	21,471	115,530	89,235
Expenditure during the year	76,539	12,397	31,677	120,613	78,696
Charged to revenue	(37,736)	(10,548)	(21,471)	(69,755)	(52,401)
At 31 December 1996	<u>124,878</u>	<u>9,833</u>	<u>31,677</u>	<u>166,388</u>	<u>115,530</u>
Chargeable to revenue within one year	50,671	3,078	31,677	85,426	67,345
Chargeable to revenue after more than one year	<u>74,207</u>	<u>6,755</u>	<u>-</u>	<u>80,962</u>	<u>48,185</u>

Kakuzi Limited

NOTES TO THE ACCOUNTS (Continued)

9. STOCKS

	1996		1995	
	Group Sh '000	Company Sh '000	Group Sh '000	Company Sh '000
Coffee	90,540	60,144	109,318	74,426
Tea	18,637	18,637	24,174	24,174
Livestock	35,546	35,546	27,208	27,208
General stores	39,906	36,812	45,624	42,207
	<u>184,629</u>	<u>151,139</u>	<u>206,324</u>	<u>168,015</u>

10. RELATED PARTY TRANSACTIONS

Fellow subsidiaries within the Linton Park Group act as brokers and managing agents for certain products of the company. These services are charged at an arms length basis. The amounts due from and due to related companies represent outstanding obligations in respect of transactions arising in the ordinary course of business.

11. LOANS (secured)

	1996 Sh '000	1995 Sh '000
Loan repayable in monthly instalments by the year 1999	18,836	23,782
Loan repayable in monthly instalments by the year 2001	62,453	68,177
	<u>81,289</u>	<u>91,959</u>
Less repayable within one year	(14,826)	(11,261)
	<u>66,463</u>	<u>80,698</u>

Kakuxi Limited

NOTES THE ACCOUNTS (Continued)

12. SHARE CAPITAL

	1996 Sh '000	1995 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	<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.

13. CAPITAL RESERVE

	Group Sh '000	Company Sh '000
At 1 January 1996	780,983	746,858
Transfer to revenue reserve of revaluation surplus realised on sale of fixed assets	(264)	(264)
At 31 December 1996	<u>780,719</u>	<u>746,594</u>

14. REVENUE RESERVE

At 1 January 1996	622,098	583,069
Transfer from capital reserve of revaluation surplus realised on sale of fixed assets	264	264
Retained profit for the year	<u>98,978</u>	<u>99,888</u>
At 31 December 1996	<u>721,340</u>	<u>683,221</u>

Kakuzi Limited

FIVE YEAR RECORD

	1996 Sh '000	1995 Sh '000	1994 Sh '000	1993 Sh '000	1993/2 Sh '000
Turnover	939,644	696,582	905,139	546,427	362,198
Profit before taxation	148,590	84,805	283,052	219,723	95,684
Taxation	(2,467)	(5,089)	(57,495)	(63,609)	(18,732)
Minority interests	146,123 (4,025)	79,716 (11,983)	225,557 (21,948)	156,114 (10,735)	76,952 (2,894)
Dividends	142,098 (43,120)	67,733 (39,200)	203,609 (39,200)	145,379 (26,133)	74,058 (19,600)
Retained profit for the year	98,978	28,533	164,409	119,246	54,458
Capital and reserves:					
Called up share capital	98,000	98,000	98,000	65,333	65,333
Reserves	1,502,059	1,403,081	1,374,548	1,242,806	443,172
	1,600,059	1,501,081	1,472,548	1,308,139	508,505
Earnings per stock unit (Sh)	7.25	3.46	10.39	7.42	5.67
Dividends per stock unit (Sh)	2.20	2.00	2.00	2.00	1.50
Dividend cover	3.30	1.73	5.19	3.71	3.78
Net asset value per stock unit (Sh)	81.64	76.59	75.13	66.74	38.92

Notes:

(a) Financial years reported:

12 months to 28 February 1993
 10 months to 31 December 1993
 12 months to 31 December 1994
 12 months to 31 December 1995
 12 months to 31 December 1996

(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 Seventh day of May 1997 and at any adjournment thereof.

As witness my/our hand(s) this day of 1997

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 Company Secretary,
Kakuzi Limited,
P.O. Box 30572,
Nairobi,
Kenya.**

FOLD 1

FOLD 3

INSERT FLAP INSIDE