Kakuzi Limited

REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1998
CONTENTS

2007/0015

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 WIX 7LF.
AUDITORS:	PricewaterhouseCoopers, P.O. Box 43963, 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 seventy first ANNUAL GENERAL MEETING of the members will be held at the Pioneer Room, The Norfolk Hotel, Harry Thuku Road, Nairobi, Kenya on Friday 14 May 1999 at 12.00 noon for the following purposes:-

1. To confirm the minutes of the Annual General Meeting held on 21 May 1998.

2. To receive, consider and if deemed fit, adopt the accounts for the year ended 31 December 1998 together with the reports thereon of the directors and of the auditors.

3. To confirm the interim dividend of Sh. 1.00 (20%) per stock unit paid on 16 October 1998 and to declare a final dividend of Sh. 1.75 (35%) per stock unit.

4. (a) To elect directors.
   (b) Dr. B. M. Gecaga, 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
5 March 1999.

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 28 May 1999 to members on the register at the close of business on 7 May 1999.

CHAIRMAN'S STATEMENT

In my interim statement dated 20 August 1998 I warned that the company's performance during the first six months of the year could not be sustained and that prospects for the second half of 1998 appeared bleak. Unfortunately that warning proved to be well founded with the profit attributable to Kakuzi stockholders for the full 1998 year after tax and minority interests amounting to Sh 134.0 million compared to Sh 202.3 million in 1997. The principal factor contributing to this disappointing result was the El Nino phenomenon which brought record-breaking rains from October 1997 to June 1998 seriously affecting all our farming operations except tea. The financial environment was also unhelpful in that interest rates remained extremely high and the shilling continued over-valued.

COFFEE

PRODUCTION IN 1998 - 1078 TONNES FROM 1103 MATURE HA
(PRODUCTION IN 1997 - 1816 TONNES FROM 1086 MATURE HA)

We lost over half our budgeted production in 1998 due to the effects of the extraordinary rains experienced throughout the life of the early crop. Prices on the Nairobi auction, which had been extremely firm early in the year, collapsed in July and remained weak throughout the second half of the year.

During 1998 we planted 39 ha of new coffee at Kakuzi and we replanted 16 ha at Garton. Our new coffee factory at Kakuzi was successfully commissioned, and we significantly expanded the area of coffee under drip irrigation.

We continue to be disappointed at the failure to liberalise the marketing of Kenyan coffee.

TEA

PRODUCTION IN 1998 - 3.3 MILLION KG OF MADE TEA FROM 913 HA
(PRODUCTION IN 1997 - 2.1 MILLION KG OF MADE TEA FROM 902 HA)

Although the rainfall for the year in Nandi was below the 10 year average, it was consistent throughout the year giving us a record crop. The total factory throughput was 4.1 million kg of made tea. Kenya also had a record crop of 294 million kg and was the world's largest exporter in 1998. Tea prices during the first quarter of the year were buoyant but as increased cropping levels reached the market there was a substantial fall, with Siret teas at the year-end fetching only half the price levels attained during the first quarter. A start was made on the 240 ha development mentioned in my 1997 report with 25 ha being cleared and planted. We continued with our investment in welfare and community housing.

HORTICULTURE

283 HA DEVELOPED TO HORTICULTURAL CROPS PLUS 1211 HA OF JOINT VENTURE PINEAPPLE AT 31 DECEMBER 1998 (265 HA DEVELOPED TO HORTICULTURAL CROPS PLUS 1087 HA OF JOINT VENTURE PINEAPPLE AT 31 DECEMBER 1997)

The El Nino rains caused immense problems to our horticulture operations with passionfruit, pineapple and asparagus being particularly affected. The new avocados however responded well to the unexpectedly high rainfall.

Heavy tractors and earthmoving machines in the pineapple fields suffered most from the boggy conditions, but we successfully completed the final phase of the expansion of our jointly controlled pineapple project with Del Monte Kenya Limited.

LIVESTOCK

1998 CATTLE SALES - 749 HEAD (1997 - 883 HEAD)
1998 SHEEP SALES - 607 HEAD (1997 - 557 HEAD)
CATTLE HERD AT 31 DECEMBER 1998 - 3763 HEAD (1997 - 3837 HEAD)
SHEEP FLOCK AT 31 DECEMBER 1998 - 639 HEAD (1997 - 1349 HEAD)

A significant number of our sheep died during the El Nino rains, with pneumonia being a particular problem. We are now deliberately running down the size of the flock yet further with the intention of concentrating on cattle in the future. Our pastures benefited from the high rainfall, but demand for quality beef was much reduced throughout the year and cattle prices remained depressed as a result.

FORESTRY

Planting during the early part of the year was sporadic as access to forestry areas was made so difficult by the heavy rains. In general the abundant rainfall was beneficial for established plantings although flooding did occur in some areas. Paradoxically it was lack of rain during the second half of the year which forced us to abort more than half of the new plantings planned for the short rains, our principal planting season.

GENERAL

During 1998 we continued to invest heavily in agricultural development, particularly in the areas of coffee, tea, avocados and forestry. Additionally we upgraded and extended our irrigation infrastructure. Particular attention was given to improving the standards of company housing and associated services. In this respect we built new clinics/dispensaries at Makuyu and Garton with associated housing for clinical officers. An extensive programme of road repairs was instituted to rectify the rain damage caused earlier in the year, and we built new roads to two of our boundaries which had previously been inaccessible for much of the time.

PROFITS AND DIVIDENDS

The profit after tax attributable to Kakuzi stockholders amounted to Sh 134.0 million for the 12 month period to 31 December 1998. An interim dividend of 20% (1997 - 20%) has already been declared and the Board recommends a final dividend of 35% (1997 - 35%), leaving Sh 80.1 million for transfer to reserves.

PROSPECTS AND DEVELOPMENT PLANS

It is very pleasing to note that interest rates have at last begun to fall from the crippling levels which have stifled investment in Kenya for so long. We hope that the commercial banks will continue this process and bring borrowing rates down to levels which will stimulate increased economic activity and investment. As part of this process we hope the shilling will weaken thus encouraging export activities.

CHAIRMAN'S STATEMENT *(Continued)*

Kakuzi Limited will continue to expand its agricultural operations during 1999. We intend to plant an additional 40 ha of tea, a further 50 ha of avocados and another 200 ha of forestry. Further replanting of old coffee will continue at Garton, and a decision will be made later in the year with respect to the replanting of coffee at Kakuzi.

The current dry weather in Nandi has significantly reduced yields and prices may be expected to firm somewhat as a result. With respect to coffee, prices have recovered during the past three months and we hope this improvement will be sustained given the collapse in Kenyan coffee yields during 1998. At the moment most coffee growers are forecasting significantly improved crops in 1999. We shall this year produce our first small crops of avocados and tangerines. We are about to cease production of papaya, and our sheep will continue to be phased out as selling opportunities arise. Overall, we remain cautiously optimistic about the results for the current year.

EMPLOYEES

The strength and diversity of the company is well demonstrated by the ability to achieve reasonable results in a year of such extreme weather conditions. The difficulties experienced were even greater than those of 1997 and for this reason 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 during this past year.

M. C. Perkins
Chairman

Nairobi
5 March 1999.

REPORT OF THE DIRECTORS

The directors present their report together with the audited accounts for the year ended 31 December 1998.

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
- 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 Sh. 1.00 per stock unit (1997 - Sh. 1.00 per stock unit) was paid on 16 October 1998.

The directors propose a final dividend of Sh 1.75 per stock unit (1997 - Sh 1.75 per stock unit) payable on 28 May 1999.

DIRECTORS

The directors who held office since 1 January 1998 and their interests in the share capital of the company are listed below:-

	Number of stock units held at 31-12-1998		Number of stock units held at 31-12-1997	
	Beneficial	Non-Beneficial	Beneficial	Non-Beneficial
M. C. Perkins	-	300	-	300
Dr. T. R. Fowkes	-	300	-	300
F. R. Bibby	225	-	225	-
C. A. Gardner	3,000	-	3,000	-
Dr. B. M. Gecaga	10,704	-	10,704	-
Sir Charles Markham	3,552	-	3,552	-
K. W. Tarplee	-	75	-	75

Under the terms of the Articles of Association, Mr. C. A. Gardner and Dr. B. M. Gecaga retire by rotation and, being eligible, seek re-election.

Dr. B. M. Gecaga, 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.

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 5 March 1999 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 50.11%. 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%.

AUDITORS

PricewaterhouseCoopers were appointed as auditors following the merger of the former auditors, Coopers & Lybrand, with Price Waterhouse and will continue in office in accordance with the provisions of Section 159(2) of the Companies Act (Cap 486).

By order of the Board.

Dr. T. R. Fowkes
Managing Director

Nairobi.
5 March 1999.

REPORT OF THE AUDITORS
TO THE MEMBERS OF KAKUZI LIMITED

1. We have audited the accounts set out on pages 9 to 22. 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 1998 and of the profit and cash flows of the group for the year then ended and comply with the Companies Act (Cap 486).

PricewaterhouseCoopers
Certified Public Accountants of Kenya

Nairobi
5 March 1999.

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1998

	Note	1998	1997
		Sh '000	Sh '000
TURNOVER	1	1,258,425	1,278,010
OPERATING PROFIT BEFORE INTEREST AND EXCHANGE LOSSES	1	193,360	313,831
INTEREST			
- Payable		(43,823)	(37,692)
- Receivable		1,883	2,298
NET INTEREST PAYABLE		(41,940)	(35,394)
EXCHANGE LOSSES		(4,246)	(15,671)
PROFIT BEFORE TAXATION	1	147,174	262,766
TAXATION	2	4,541	43,895
PROFIT AFTER TAXATION		142,633	218,871
MINORITY INTERESTS		8,619	16,538
PROFIT ATTRIBUTABLE TO THE MEMBERS OF KAKUZI LIMITED	3	134,014	202,333
DIVIDENDS	4	53,900	53,900
RETAINED PROFIT FOR THE YEAR	13	80,114	148,433
		Sh.	Sh.
EARNINGS PER STOCK UNIT	5	6.84	10.32

Kakuzi Limited

CONSOLIDATED BALANCE SHEET
31 DECEMBER 1998

	Note	1998	1997
		Sh '000	Sh '000
FIXED ASSETS	6	2,503,096	2,280,485
INVESTMENTS	7	201	201
GROWING CROPS	8	52,369	61,465
CURRENT ASSETS			
Growing crops	8	97,728	98,529
Stocks	9	222,506	195,101
Debtors		112,551	87,196
Taxation recoverable		29,453	53
Due by related companies	10	8,768	23
Short term deposit		-	4,000
Bank balances and cash		8,070	9,188
		479,076	394,090
CURRENT LIABILITIES			
Creditors		170,185	130,571
Bank overdrafts (secured)		316,121	100,070
Due to related company	10	11,557	21,769
Taxation		-	14,949
Dividends	4	34,300	34,300
Loans repayable within one year	11	18,094	18,400
		550,257	320,059
NET CURRENT (LIABILITIES)/ASSETS		(71,181)	74,031
		2,484,485	2,416,182
Loans repayable after more than one year	11	29,706	47,686
		2,454,779	2,368,496
Financed by:-			
SHARE CAPITAL	12	98,000	98,000
CAPITAL RESERVE		1,300,432	1,300,432
REVENUE RESERVE	13	955,620	875,506
STOCKHOLDERS' FUNDS		2,354,052	2,273,938
MINORITY INTERESTS		100,727	94,558
		2,454,779	2,368,496

The accounts on pages 9 to 22 were approved by the Board of Directors on 5 March 1999 and signed on its behalf by:

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

Kakuzi Limited

COMPANY BALANCE SHEET
31 DECEMBER 1998

	Note	1998	1997
		Sh '000	Sh '000
FIXED ASSETS	6	2,318,017	2,108,991
INVESTMENTS	7	10,959	10,959
GROWING CROPS	8	52,369	61,465
CURRENT ASSETS			
Growing crops	8	93,727	94,451
Stocks	9	177,601	169,966
Debtors		110,009	84,005
Taxation recoverable		25,944	-
Due by subsidiary company	10	3,794	-
Due by related company		8,763	-
Bank balances and cash		7,997	6,814
		427,835	355,236
CURRENT LIABILITIES			
Creditors		166,406	126,197
Bank overdrafts (secured)		289,158	100,070
Due to subsidiary companies	10	16,383	16,475
Due to related company	10	11,557	21,769
Taxation		-	1,871
Dividends	4	34,300	34,300
Loans repayable within one year	11	18,094	18,400
		535,898	319,082
NET CURRENT (LIABILITIES)/ASSETS		(108,063)	36,154
		2,273,282	2,217,569
Loans repayable after more than one year	11	29,706	47,686
		2,243,576	2,169,883
Financed by:			
SHARE CAPITAL	12	98,000	98,000
CAPITAL RESERVE		1,236,407	1,236,407
REVENUE RESERVE	13	909,169	835,476
STOCKHOLDERS' FUNDS		2,243,576	2,169,883

The accounts on pages 9 to 22 were approved by the Board of Directors on 5 March 1999 and signed on its behalf by:

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

Kakuzi Limited

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 1998

	Note	1998 Sh '000	1997 Sh '000
NET CASH INFLOW FROM OPERATING ACTIVITIES	A	337,225	509,171
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE:			
Dividend received		596	596
Interest received		1,906	2,256
Interest paid		(43,823)	(38,920)
Dividends paid		(53,900)	(47,040)
Dividends paid to minority interests		(2,450)	(14,700)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(97,671)	(97,808)
TAXATION PAID		(48,890)	(10,914)
CASHFLOWS FROM INVESTING ACTIVITIES:			
Purchase of fixed assets		(294,425)	(267,596)
Expenditure on growing crops		(101,751)	(92,822)
Proceeds on disposal of fixed assets		2,629	16,544
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(393,547)	(343,874)
CASHFLOWS FROM FINANCING ACTIVITIES:			
Loans repaid		(18,286)	(15,203)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES		(18,286)	(15,203)
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(221,169)	41,372
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		(86,882)	(128,254)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	B	(308,051)	(86,882)

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 1998

		1998	1997
		Sh '000	Sh '000
A.	Reconciliation of operating profit to net cash inflow from operating activities		
	Profit before taxation	147,174	262,766
	Loan and overdraft interest	43,823	37,692
	Dividend receivable	(596)	(596)
	Interest receivable	(1,883)	(2,298)
	Depreciation	68,714	65,942
	Profit on disposal of fixed assets	(329)	(9,365)
	Development expenditure charged to revenue	800	-
	Operating Profit	257,703	354,141
	Growing crop charges	111,648	103,692
	Increase in stocks	(27,405)	(10,472)
	Increase in debtors	(25,378)	(1,859)
	Increase in creditors	39,614	45,199
	(Decrease)/increase in related company balances	(18,957)	18,470
	Net cash inflow from operating activities	337,225	509,171
B.	Cash and cash equivalents at the end of the year		
	Short term deposit	-	4,000
	Bank balances and cash	8,070	9,188
	Bank overdrafts	(316,121)	(100,070)
		(308,051)	(86,882)

STATEMENT OF GROUP ACCOUNTING POLICIES
FOR THE YEAR ENDED 31 DECEMBER 1998

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 1998.

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 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.

RETIREMENT BENEFITS AND SERVICE GRATUITIES

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 Unions, are charged to the profit and loss account upon employees attaining the specified age.

NOTES TO THE ACCOUNTS *(Continued)*

2. TAXATION

CURRENT TAXATION	1998 Sh '000	1997 Sh '000
The taxation charge comprises:		
Income tax based on the taxable profit for the year at 32.5% (1997 - 35%)	4,646	44,013
Previous year over provision	(105)	(118)
	4,541	43,895

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 1998	19,494	18,630
At 31 December 1997	16,206	14,950

3. PROFIT ATTRIBUTABLE TO THE MEMBERS OF KAKUZI LIMITED

The consolidated profit attributable to the members of Kakuzi Limited includes a profit of Sh. 127,592,892 (31 December 1997 - Sh. 200,420,468) which has been dealt with in the accounts of Kakuzi Limited.

4. DIVIDENDS

	1998 Sh '000	1997 Sh '000
Dividends per stock unit are as follows:-		
Interim paid of Sh. 1.00 (31 December 1997 - Sh. 1.00)	19,600	19,600
Proposed final of Sh 1.75 (31 December 1997 - Sh 1.75)	34,300	34,300
	53,900	53,900

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 1998 based on the consolidated profit after tax, and after deducting the minority interests.

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 1998	2,172,492	92,441	145,201	54,307	86,428	2,550,869
Transfers	77,086	552	-	-	(77,638)	-
Additions	160,121	22,316	33,749	11,060	67,179	294,425
Disposals	(1,806)	-	(3,516)	(400)	-	(5,722)
At 31 December 1998	2,407,893	115,309	175,434	64,967	75,969	2,839,572
Comprising:						
Cost	706,899	112,233	174,267	64,333	75,969	1,133,701
Valuation - 1978	11,130	3,076	1,167	634	-	16,007
Valuation - 1993	131,801	-	-	-	-	131,801
Valuation - 1997	1,558,063	-	-	-	-	1,558,063
	2,407,893	115,309	175,434	64,967	75,969	2,839,572
DEPRECIATION						
At 1 January 1998	126,558	31,528	88,409	23,889	-	270,384
Charge for the year	29,911	8,010	23,305	7,488	-	68,714
Relating to disposals	(89)	-	(2,291)	(242)	-	(2,622)
At 31 December 1998	156,380	39,538	109,423	31,135	-	336,476
NET BOOK VALUE						
At 31 December 1998	2,251,513	75,771	66,011	33,832	75,969	2,503,096
At 31 December 1997	2,045,934	60,913	56,792	30,418	86,428	2,280,485

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 1998	2,012,450	78,746	128,572	52,044	82,318	2,354,130
Transfers	72,977	552	-	-	(73,529)	-
Additions	149,815	22,316	32,353	10,775	57,628	272,887
Disposals - outside	(1,806)	-	(3,516)	(400)	-	(5,722)
Disposals - group	-	-	(1,148)	-	-	(1,148)
At 31 December 1998	2,233,436	101,614	156,261	62,419	66,417	2,620,147
Comprising:						
Cost	663,179	100,056	155,173	61,959	66,417	1,046,784
Valuation - 1978	9,878	1,558	1,088	460	-	12,984
Valuation - 1993	125,341	-	-	-	-	125,341
Valuation - 1997	1,435,038	-	-	-	-	1,435,038
	2,233,436	101,614	156,261	62,419	66,417	2,620,147
DEPRECIATION						
At 1 January 1998	117,596	26,786	77,891	22,866	-	245,139
Charge for the year	25,465	7,123	20,710	7,233	-	60,531
Relating to disposals						
- outside	(89)	-	(2,291)	(242)	-	(2,622)
- group	-	-	(918)	-	-	(918)
At 31 December 1998	142,972	33,909	95,392	29,857	-	302,130
NET BOOK VALUE						
At 31 December 1998	2,090,464	67,705	60,869	32,562	66,417	2,318,017
At 31 December 1997	1,894,854	51,960	50,681	29,178	82,318	2,108,991

NOTES TO THE ACCOUNTS *(Continued)*

6. FIXED ASSETS (Continued)

The leasehold properties have unexpired periods in excess of 900 years with the exception of one which has an unexpired period of 55 years.

Certain assets are fully depreciated as shown below:-

	31 December 1998		31 December 1997	
	Group Sh '000	Company Sh '000	Group Sh '000	Company Sh '000
Cost or valuation	93,927	80,063	64,146	55,045
Notional depreciation charge for the year	15,535	13,466	9,587	8,516

FUTURE CAPITAL EXPENDITURE

	31 December 1998		31 December 1997	
	Group Sh '000	Company Sh '000	Group Sh '000	Company Sh '000
Authorised by the respective boards of directors:				
- contracted for	-	-	25,164	25,164
- not contracted for	233,188	216,795	261,568	238,002
	233,188	216,795	286,732	263,166

7. INVESTMENTS

	31 December 1998		31 December 1997	
	Group Sh '000	Company Sh '000	Group Sh '000	Company Sh '000
Subsidiary companies:-				
Unquoted shares at cost	-	10,798	-	10,798
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.

8. GROWING CROPS

	Pineapple Project Sh '000	Other Horticultural Crops Sh '000	Coffee Sh '000	1998 Total Sh '000	1997 Total Sh '000
GROUP					
At 1 January 1998	111,802	14,543	33,649	159,994	170,864
Expenditure during the year	54,988	13,676	33,087	101,751	92,822
Charged to revenue	(66,262)	(11,737)	(33,649)	(111,648)	(103,692)
At 31 December 1998	100,528	16,482	33,087	150,097	159,994
Chargeable to revenue within one year	57,570	7,071	33,087	97,728	98,529
Chargeable to revenue after more than one year	42,958	9,411	-	52,369	61,465
COMPANY					
At 1 January 1998	111,802	14,543	29,571	155,916	166,388
Expenditure during the year	54,988	13,676	29,086	97,750	88,744
Charged to revenue	(66,262)	(11,737)	(29,571)	(107,570)	(99,216)
At 31 December 1998	100,528	16,482	29,086	146,096	155,916
Chargeable to revenue within one year	57,570	7,071	29,086	93,727	94,451
Chargeable to revenue after more than one year	42,958	9,411	-	52,369	61,465

NOTES TO THE ACCOUNTS *(Continued)*

9. STOCKS

	1998 Group Sh '000	1998 Company Sh '000	1997 Group Sh '000	1997 Company Sh '000
Coffee	82,139	43,231	74,762	52,298
Tea	46,969	46,969	41,464	41,464
Livestock	47,575	47,575	39,202	39,202
General stores	45,823	39,826	39,673	37,002
	222,506	177,601	195,101	169,966

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)

	1998 Sh '000	1997 Sh '000
Loan repayable in monthly instalments by the year 1999	4,994	13,129
Loan repayable in monthly instalments by the year 2001	42,806	52,957
	47,800	66,086
Less repayable within one year	(18,094)	(18,400)
Repayable after more than one year	29,706	47,686

12. SHARE CAPITAL

	1998 Sh '000	1997 Sh '000
Authorised:		
20,000,000 shares of Sh 5 each	100,000	100,000
Issued and converted into stock:		
19,599,999 units of Sh 5 each fully paid	98,000	98,000

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. REVENUE RESERVE

	Group Sh '000	Company Sh '000
At 1 January 1998	875,506	835,476
Retained profit for the year	80,114	73,693
At 31 December 1998	955,620	909,169

FIVE YEAR RECORD

	1998 Sh '000	1997 Sh '000	1996 Sh '000	1995 Sh '000	1994 Sh '000
Turnover	1,258,425	1,278,010	939,644	696,582	905,139
Profit before taxation	147,174	262,766	148,590	84,805	283,052
Taxation	(4,541)	(43,895)	(2,467)	(5,089)	(57,495)
	142,633	218,871	146,123	79,716	225,557
Minority interests	(8,619)	(16,538)	(4,025)	(11,983)	(21,948)
	134,014	202,333	142,098	67,733	203,609
Dividends	(53,900)	(53,900)	(43,120)	(39,200)	(39,200)
Retained profit for the year	80,114	148,433	98,978	28,533	164,409
Capital and reserves:					
Called up share capital	98,000	98,000	98,000	98,000	98,000
Reserves	2,256,052	2,175,938	1,502,059	1,403,081	1,374,548
	2,354,052	2,273,938	1,600,059	1,501,081	1,472,548
Earnings per stock unit (Sh)	6.84	10.32	7.25	3.46	10.39
Dividends per stock unit (Sh)	2.75	2.75	2.20	2.00	2.00
Dividend cover	2.49	3.75	3.30	1.73	5.19
Net asset value per stock unit (Sh)	120.10	116.02	81.64	76.59	75.13

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 Pioneer Room, The Norfolk Hotel, Harry Thuku Road, Nairobi, Kenya on Friday 14 May 1999 at 12.00 noon and at any adjournment thereof.

As witness my/our hand(s) this .... day of 1999

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