Kakuzi Limited

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2002

TABLE OF CONTENTS **PAGE**

Kakuzi Limited

COMPANY INFORMATION

COUNTRY OF INCORPORATION:	The Company is incorporated in Kenya under the Companies Act and is domiciled in Kenya.
DIRECTORS:	Dr. T R Fowkes* (Chairman) Mr. J P H Hulme* (Managing) Mr. F R Bibby* (Technical) Dr. B M Gecaga, CBS Sir Charles Markham, Bart Mr. N Nganga Mr. M C Perkins*, FCA Mr. K W Tarplee* * British
SECRETARY AND OFFICE AT WHICH REGISTER OF SECURITIES IS KEPT:	Chunga Associates P O Box 41968 Nairobi 00100 Telephone (02) 2855000 Facsimile (02) 2855001
REGISTERED OFFICE:	Main Office Punda Milia Road, Makuyu P O Box 24 Thika 01000 Telephone (0151) 64620 Facsimile (0151) 64240 E-mail: mail@kakuzi.co.ke
REGISTRARS:	Barclays Advisory and Registrar Services Limited Bank House Moi Avenue P O Box 30120 Nairobi 00200 Telephone (02) 210577 Facsimile (02) 241301
AUDITORS:	PricewaterhouseCoopers P O Box 43963 Nairobi 00100
BANKERS:	Barclays Bank of Kenya Limited P O Box 46661 Nairobi 00100 Commercial Bank of Africa Limited P O Box 45136 Nairobi 00100 CFC Bank Limited P O Box 72833 Nairobi 00200
SUBSIDIARY COMPANIES:	Siret Tea Company Limited (100% owned) Kaguru Limited (100% owned) Estates Services Limited (100% owned)

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2002

Despite 2002 proving to be an extremely challenging year during which coffee prices persisted at very low levels and tea prices weakened, it is pleasing to report that Kakuzi returned to profitability. The main factors contributing to this turnaround were the highly successful avocado season and major savings made in interest payable on our borrowings. The Group generated an operating profit in 2002 of Shs 70.5 million. Net finance costs amounted to Shs 62.0 million and thus, after allowing for tax of Shs 0.4 million and minority interests, the profit after tax attributable to the members of Kakuzi Limited was Shs 7.6 million.

COFFEE

PRODUCTION IN 2002 - 1555 TONNES FROM 907 MATURE HA
(PRODUCTION IN 2001 - 2114 TONNES FROM 1161 MATURE HA)

Total coffee production during 2002 was reduced due to the sale of our Garton coffee estates. Our rigorous cost cutting measures continued during 2002 with the initiation of a new method of conversion through stumping of coffee bushes after the fifth year of the production cycle. Prices at the Nairobi coffee auction remained below our cost of production for much of the year.

TEA

PRODUCTION IN 2002 - 2.4 MILLION KG OF MADE TEA FROM 961 MATURE HA
(PRODUCTION IN 2001 - 2.7 MILLION KG OF MADE TEA FROM 950 MATURE HA)

Although total rainfall for the year was reasonable, it was not consistent and hence production was 12% down on the previous year. Whilst the quality of our tea was uniformly high, prices remained weak throughout the period impacting upon our margins. However, the implementation of cost control measures ensured that the year- end contribution from this enterprise remained above the budgeted level.

HORTICULTURE

318 HA DEVELOPED TO HORTICULTURAL CROPS PLUS 1170 HA OF JOINT VENTURE PINEAPPLE AT 31 DECEMBER 2002
(317 HA DEVELOPED TO HORTICULTURAL CROPS PLUS 1211 HA OF JOINT VENTURE PINEAPPLE AT 31 DECEMBER 2001)

Our avocado project produced significant yields for the first time during 2002 with total production of 2400 tonnes, of which 1600 tonnes were successfully exported to Europe. The good yields coupled with excellent prices resulted in this unit providing the greatest profit contribution to this year's results from any single enterprise. Our jointly controlled canned pineapple project with Cirio Del Monte Kenya Ltd continued to be profitable with expected levels of production recorded. The citrus plantings continued to mature and, with total yields significantly above expectation, this operation made a positive contribution to profits for the first time. Once again the passion fruit enterprise produced disappointing yields, and prices were well below budget resulting in a poor return.

LIVESTOCK

CATTLE SALES IN 2002 - 715 HEAD (2001 - 645 HEAD)
CATTLE HERD AT 31 DECEMBER 2002 - 4131 HEAD (2001 - 3886 HEAD)

There was a plentiful supply of grazing for our herds throughout the year, ensuring the cattle maintained good body condition and a constant supply of finished beef to the markets. However, prices were poor compared to the previous year due to reduced demand from the depressed tourist industry, coupled with an oversupply of low-grade slaughter animals imported from neighbouring countries.

FORESTRY

The effort put into production and marketing of our treated wood products during the year was rewarded with this unit becoming a major player in the market for treated poles and posts. During 2002 the Forestry Division produced a worthwhile contribution for the first time, with both production and sales far surpassing budgeted levels.

GENERAL

Capital developments were restricted during the year by poor commodity prices, a need to preserve our cash flow for essential inputs, and the drive to reduce the level of total borrowings. Hence investment during the year was concentrated upon tea development and the maintenance of recent plantings of avocados and forestry.

Major savings in interest charges were achieved from our policy to increase the proportion of dollar as against shilling borrowings through the year, in order to take advantage of the low international dollar interest rates that prevailed during 2002.

DIVIDENDS

The directors believe the company must continue to strive to reduce its borrowings and they therefore do not recommend the payment of a dividend for the 2002 year.

PROSPECTS

Our coffee bushes flowered well and are currently carrying a good crop. The Kenyan coffee industry was partially liberalised as a result of the Coffee Act 2001, gazetted in January 2002. Liberalisation to-date has not changed the fact that all coffee must still be sold through the Nairobi auction, so the coffee grower loses almost all control of his product at the point of milling. We believe that permitting direct sale of coffee, in a similar way to the tea industry, will result in better returns for the grower.

Nandi Hills received good rains in December, which, together with numerous holidays during that month, resulted in a large tea crop for January. High cropping levels to date coming out of Kenya have had a depressing effect on prices and margins have become very tight.

Our avocado plantings continue to mature and we anticipate a further increase in the volume we export to Europe this year. Prices for avocados in Europe are predicted to be buoyant this season. Our passion fruit area will continue to be phased out, and the land released will be replanted to avocados, with 25 ha programmed for this year. There is some optimism that pineapple prices will increase during the year following the drought experienced in South-East Asia during 2001 and 2002.

It is pleasing to note that interest rates have fallen to levels that are more realistic. Investment in Kenya has been stifled in recent years by high borrowing costs, and we hope that as part of this process the shilling will weaken to levels that will encourage export activities.

During the past twelve months, we have continued stringent cost control measures that have brought the company back to profitability. This policy will be continued during 2003 and overall we are cautiously optimistic about the results for the current year.

Dr. T R Fowkes
Chairman

27 February 2003

REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements for the year ended 31 December 2002, which disclose the state of affairs of the company and the group.

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 10 of these financial statements.

The directors do not recommend the payment of a dividend for the 2002 year.

DIRECTORS

The directors who held office during the year are set out on page 1. Mr. N Nganga was appointed as an additional director of the company on 28 November 2002. Mr. M C Perkins resigned from the Board and Mr. T G Lupton was appointed a director on 20 March 2003, in line with a re-organisation of responsibilities within the Linton Park group of companies.

The directors' interests in the share capital of the company are listed below: -

	Number of stock units held at 31-12-2002		Number of stock units held at 31-12-2001	
	Beneficial	Non-Beneficial	Beneficial	Non-Beneficial
Dr. T R Fowkes	-	300	-	300
Mr. J P H Hulme	400	-	400	-
Mr. F R Bibby	225	-	225	-
Dr. B M Gecaga	10,704	-	10,704	-
Sir Charles Markham	3,552	-	3,552	-
Mr. N Nganga	-	-	-	-
Mr. M C Perkins	-	300	-	300
Mr. K W Tarplee	-	75	-	75

Under the terms of the Articles of Association, Mr. F R Bibby and Mr. K W Tarplee retire by rotation and, being eligible, seek re-election. Mr. N Nganga and Mr T G Lupton retire in accordance with Article 91 of the company's Articles of Association and, being eligible, seek re-election.

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.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The group's activities expose it to a variety of financial risks including credit risk and the effects of changes in foreign currency exchange rates and interest rates. The group's overall risk management policy focuses on managing such risks prudently to minimise potential adverse effects on its financial performance. The group has policies in place to ensure that sales are made to customers with an appropriate credit history.

AUDIT COMMITTEE

During the year the audit committee met twice. The committee approved the annual internal audit plan which has been monitored by monthly internal audit reports. The committee is satisfied with the group's system of internal financial control.

AUDITORS

The company's auditors PricewaterhouseCoopers continue in office in accordance with Section 159(2) of the Companies Act.

By order of the Board

Mr. J P H Hulme
Managing Director

27 March 2003

Kakuzi Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2002

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

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and the requirements of the Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and of the group and of the group's results. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the directors to indicate that the company will not remain a going concern for at least twelve months from the date of this statement.

Dr. T R Fowkes
Director

Mr. J P H Hulme
Director

27 February 2003

Kakuzi Limited

CORPORATE GOVERNANCE

The directors endorse the spirit of the Guidelines on Corporate Governance Practices by Public Listed Companies in Kenya issued by the Capital Markets Authority.

The Board of Directors consists of both executive and non-executive directors, including three independent and non-executive directors. The Board is responsible for setting strategy, approving budgets, capital expenditure, investment and disinvestments. The Board meets at least four times per year and sufficient information is circulated in advance of Board Meetings to enable the directors to discharge their duties.

The Board has established the following committees:

1. The audit committee, consisting of three independent and non-executive directors, plus Dr. T R Fowkes as chairman.

2. The nominating committee, constituted as a committee of the entire Board, chaired by Dr. T R Fowkes.

Every director with the exception of the Managing Director retires by rotation in accordance with the company's Articles of Association.

In reviewing corporate governance the directors consider it appropriate to take into account the company's status as a subsidiary of Linton Park Plc and the size of the company's operations. On 1 January 2002 the company appointed a new Managing Director.

The company is compliant with the Guidelines on Corporate Governance with the exception of the following non-prescriptive guidelines:

Rule 3.1.3 (i) The nominating committee is constituted as a committee of the entire Board, and new Board appointments are considered by the full Board.

Rule 3.1.4 (i) The remuneration of directors is considered by the nominating committee which comprises the whole Board.

Rule 3.2 (iii) The chairman of the Board is not an independent and non-executive director.

Rule 3.5 (i) The chairman of the audit committee is not an independent and non-executive director.

COMMUNICATION WITH SHAREHOLDERS

The company is committed to equitable treatment of its shareholders including the minority and foreign shareholders and ensures that all shareholders receive full and timely information about its performance through the distribution of the annual report and financial statements and half yearly interim financial report and through compliance with the relevant continuing obligations under the Capital Markets Authority Act. The company's results are advertised in the press and released to the stock exchanges within the prescribed period at each half-year and year end.

Dr. T R Fowkes
Director

Mr. J P H Hulme
Director

27 February 2003

REPORT OF THE AUDITORS TO THE MEMBERS OF KAKUZI LIMITED

We have audited the financial statements set out on pages 10 to 34. The company's balance sheet on page 12 is in agreement with the books of account.

Respective responsibilities of directors and auditors

The directors are responsible for the preparation of financial statements as set out on page 7.
Our responsibility is to express an independent opinion on the financial statements based on our audit.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform our audit to obtain reasonable assurance that the financial statements are free from material misstatement. An audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. 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 financial statements.

We have obtained all the information and explanations that to the best of our knowledge and belief were necessary to provide a reasonable basis for our opinion.

Opinion

In our opinion proper books of account have been kept and the financial statements give a true and fair view of the state of the financial affairs of the group and company at 31 December 2002 and of its results and cash flows for the year then ended and comply with International Financial Reporting Standards and the Kenyan Companies Act.

PricewaterhouseCoopers
Certified Public Accountants
Nairobi

27 February 2003

Kakuzi Limited

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2002

	Notes	2002 Shs'000	2001 Shs'000
Sales	1	1,082,190	1,250,943
Continuing operations		1,060,033	1,167,247
Discontinued operations		22,157	83,696
Cost of sales		(917,640)	(1,154,232)
Gross profit	1	164,550	96,711
Other operating income		24,836	9,005
Distribution costs		(30,692)	(37,608)
Administrative expenses		(91,589)	(66,364)
Profit on disposal of subsidiary	2	3,393	0
Operating profit	3	70,498	1,744
Continuing operations		71,599	18,493
Discontinued operations		(1,101)	(16,749)
Finance costs	5	(62,027)	(97,678)
Profit/(loss) before tax		8,471	(95,934)
Continuing operations		12,104	(69,478)
Discontinued operations		(3,633)	(26,456)
Tax (charge)/credit	6	(388)	41,767
Profit/(loss) after tax		8,083	(54,167)
Minority interests		(490)	8,944
Profit/(loss) attributable to the members of Kakuzi Limited	7	7,593	(45,223)
		Shs	Shs
Basic earnings/(loss) per stock unit	8	0.39	(2.31)
Diluted earnings/(loss) per stock unit	8	0.39	(2.31)

Kakuzi Limited

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2002

	Notes	2002 Shs'000	2001 Shs '000
CAPITAL EMPLOYED			
Share capital	10	98,000	98,000
Revaluation and other reserves	11	969,771	1,018,515
Retained earnings		729,481	672,851
Stockholders' funds		1,797,252	1,789,366
Minority interests		0	53,918
Non-current liabilities			
Borrowings	22	282,923	308,542
Deferred tax	12	124,740	110,601
Provision for liabilities and charges	21	28,238	27,358
		435,901	446,501
		2,233,153	2,289,785
REPRESENTED BY			
Non-current assets			
Property, plant and equipment	13(a)	2,167,312	2,342,700
Prepaid operating lease rentals	14	7,400	7,408
Investments	16	10,208	10,870
Growing crops	17	35,936	71,755
Non-current receivables	18	14,063	13,951
		2,234,919	2,446,684
Current assets			
Inventories	19	248,117	238,246
Growing crops	17	125,994	69,828
Receivables and prepayments	18	130,939	118,191
Tax recoverable	6	68,511	76,865
Cash and cash equivalents		15,342	17,246
		588,903	520,376
Current liabilities			
Payables and accrued expenses	20	191,246	199,088
Borrowings	22	394,847	474,447
Provisions for liabilities and charges	21	4,576	3,740
		590,669	677,275
Net current liabilities		(1,766)	(156,899)
		2,233,153	2,289,785

The financial statements on pages 10 to 34 were approved for issue by the board of directors on 27 February 2003 and signed on its behalf by:

Dr. T R Fowkes
Director

Mr. J P H Hulme
Director

Kakuzi Limited

COMPANY BALANCE SHEET AS AT 31 DECEMBER 2002

	Notes	2002 Shs'000	2001 Shs'000
CAPITAL EMPLOYED			
Share capital	10	98,000	98,000
Revaluation and other reserves	11	973,017	973,701
Retained earnings		720,585	712,015
Stockholders' funds		1,791,602	1,783,716
Non-current liabilities			
Borrowings	22	282,923	308,542
Deferred tax	12	124,740	123,956
Provision for liabilities and charges	21	28,238	25,856
		435,901	458,354
		2,227,503	2,242,070
REPRESENTED BY			
Non-current assets			
Property, plant and equipment	13(b)	2,167,312	2,203,249
Prepaid operating lease rentals	14	7,400	7,408
Investments	16	20,993	20,926
Growing crops	17	35,936	71,755
Non-current receivables	18	14,063	13,442
		2,245,704	2,316,780
Current assets			
Investments	16	0	56,118
Inventories	19	248,117	211,230
Growing crops	17	125,994	64,854
Receivables and prepayments	18	130,939	118,049
Tax recoverable	6	68,458	66,177
Cash and cash equivalents		15,342	17,119
		588,850	533,547
Current liabilities			
Payables and accrued expenses	20	207,628	210,155
Borrowings	22	394,847	394,529
Provision for liabilities and charges	21	4,576	3,573
		607,051	608,257
Net current liabilities		(18,201)	(74,710)
		2,227,503	2,242,070

The financial statements on pages 10 to 34 were approved for issue by the board of directors on 27 February 2003 and signed on its behalf by:

Dr. T R Fowkes
Director

Mr. J P H Hulme
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2002

	Notes	Share capital Shs'000	Revaluation and other reserves Shs'000	Retained earnings Shs'000	Total Shs'000
Year ended 31 December 2001					
At start of year					
- as previously reported		98,000	1,239,301	717,024	2,054,325
- effect of adopting IAS 39	16	0	7,730	0	7,730
- reclassification of leasehold land	14	0	(208,458)	(90)	(208,548)
- as restated		98,000	1,038,573	716,934	1,853,507
Deferred tax effect on revaluation	12	0	293	0	293
Transfer of excess depreciation		0	(1,140)	1,140	0
Impairment loss on property, plant and equipment	2	0	(19,211)	0	(19,211)
Loss for the year after minority interests		0	0	(45,223)	(45,223)
At end of year		98,000	1,018,515	672,851	1,789,366
Year ended 31 December 2002					
At start of year					
- as previously reported		98,000	1,226,973	672,949	1,997,922
- reclassification of leasehold land	14	0	(208,458)	(98)	(208,556)
- as restated		98,000	1,018,515	672,851	1,789,366
Deferred tax effect on revaluation	12	0	293	0	293
Transfer of excess depreciation		0	(977)	977	0
Transfer of revaluation surplus on disposal of subsidiary	2	0	(48,060)	48,060	0
Net gains not recognised in income statement		0	(49,037)	49,037	0
Profit for the year after minority interests		0	0	7,593	7,593
At end of year		98,000	969,771	729,481	1,797,252

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2002

	Notes	Share capital Shs'000	Revaluation and other reserves Shs'000	Retained earnings Shs'000	Total Shs'000
Year ended 31 December 2001					
At start of year					
- as previously reported		98,000	1,175,276	690,775	1,964,051
- effect of adopting IAS 39	16	0	7,730	56,105	63,835
- reclassification of leasehold land	14	0	(208,458)	(90)	(208,548)
- as restated		98,000	974,548	746,790	1,819,338
Deferred tax effect on revaluation	12	0	293	0	293
Transfer of excess depreciation		0	(1,140)	1,140	0
Loss for the year		0	0	(35,915)	(35,915)
At end of year		98,000	973,701	712,015	1,783,716
Year ended 31 December 2002					
At start of year					
- as previously reported		98,000	1,182,159	712,113	1,992,272
- reclassification of leasehold land	14	0	(208,458)	(98)	(208,556)
- as restated		98,000	973,701	712,015	1,783,716
Deferred tax effect on revaluation	12	0	293	0	293
Transfer of excess depreciation		0	(977)	977	0
Profit for the year		0	0	7,593	7,593
At end of year		98,000	973,017	720,585	1,791,602

CONSOLIDATED CASHFLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2002

	Notes	2002 Shs'000	2001 Shs'000
Operating activities			
Cash generated from operations	23	351,686	437,555
Interest received		336	3,337
Interest paid		(65,261)	(99,342)
Tax paid		(116)	(726)
Net cash from operating activities		286,645	340,824
Investing activities			
Purchase of property, plant and equipment	13(a)	(38,201)	(66,213)
Expenditure on growing crops	17	(284,982)	(260,468)
Proceeds on disposal of property, plant and equipment		3,088	9,748
Dividend received		774	774
Interest received on originated loans		86	182
Proceeds on disposal of subsidiary, net of cash disposed	2	190,313	0
Minority interest share of proceeds on disposal of subsidiary		(54,408)	0
Net cash used in investing activities		(183,330)	(315,977)
Financing activities			
Payments on long-term borrowings		(26,046)	(25,155)
Net cash used in financing activities		(26,046)	(25,155)
Increase/(decrease) in cash and cash equivalents		77,269	(308)
Movement in cash and cash equivalents			
At start of year		(432,049)	(432,505)
Increase/(decrease)		77,269	(308)
Effects of exchange rate changes		75	764
At end of year	24	(354,705)	(432,049)

STATEMENT OF GROUP ACCOUNTING POLICIES
FOR THE YEAR ENDED 31 DECEMBER 2002

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below: -

a) **Basis of preparation**

The financial statements are prepared in accordance with and comply with International Financial Reporting Standards (IFRS). The financial statements are prepared in thousands of Kenya shillings (Shs'000) except where otherwise indicated. The financial statements are prepared under the historical cost convention as modified by the revaluation of certain property, plant and equipment and the carrying of available-for-sale investments at fair value. The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the directors' best knowledge of current events and actions, actual results ultimately may differ from those estimates.

b) **Consolidation**

Subsidiary undertakings, which are those companies in which the company has an interest of more than half of the voting rights or otherwise has power to exercise control over the operations, have been fully consolidated. The group financial statements comprise the financial statements of the company and its subsidiaries for the year ended 31 December 2002.

All inter company transactions, balances and unrealised gains on transactions between group companies are eliminated.

c) **Revenue recognition**

Sales are generally recognised upon delivery of produce, and where applicable are stated net of Value Added Tax. Coffee and tea sold at auctions are recognised upon fall of the hammer for confirmed bids.

The final annual sales for the pineapple joint venture with Cirio Del Monte Kenya Limited is determined on a formula basis which depends on the average Cirio Del Monte pineapple selling price achieved on a world wide basis. This figure is not known by the time the financial statements are published. The company's share of the revenue in respect of the pineapple joint venture has been determined prudently on the basis of best information available.

d) **Translation of foreign currencies**

Transactions in foreign currencies during the year are converted into Kenya shillings at rates ruling at the transaction dates. Assets and liabilities at the balance sheet date which are expressed in foreign currencies are translated into Kenya shillings at rates ruling at that date. The resulting differences from conversion and translation are dealt with in the profit and loss account in the year in which they arise.

e) **Property, plant and equipment**

All property, plant and equipment is initially recorded at cost. Certain property, plant and equipment is subsequently shown at revalued amounts, based on periodic valuations by the directors. All other property, plant and equipment is stated at historical cost less depreciation. Development expenditure on horticultural crops other than growing crops is capitalised. Increases in the carrying amounts arising on revaluation are credited to a revaluation reserve. Decreases that offset previous increases of the same asset are charged against the revaluation reserve; all other decreases are charged to the profit and loss account.

e) Property, plant and equipment (continued)

Each year the difference between depreciation based on revalued carrying amount of the asset (the depreciation charged to profit and loss account) and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

Depreciation is calculated on the straight line basis to write down the cost of each asset, or the revalued amount, to its residual value over its estimated useful life as follows:-

Buildings, dams, water supply and fencing	5 – 50 years
Plant, machinery and tools	13.3 years
Motor vehicles, tractors, trailers and implements	4 – 10 years
Furniture, fittings and equipment	8 years

Property, plant and equipment is periodically reviewed for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

The cost or revalued amount of freehold land and development is not depreciated. Capital work in progress is not depreciated.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit or loss. On disposal of a revalued asset, amount in the revaluation reserve relating to that asset is transferred to retained earnings.

f) Investments

The company classifies its investments into available-for-sale investments and originated loans. The directors determine the appropriate classification of investments at the time of the purchase and re-evaluate such designations on a regular basis as follows:

(i) Investments intended to be held for an indefinite period of time, but which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale. These are included in non-current assets unless the directors have the express intention of holding the investment for less than 12 months from the balance sheet date or unless they will need to be sold to raise operating capital.

(ii) Non-equity investments purchased in the primary market (i.e. directly from the issuer) are classified as originated loans.

Purchases and sales of investments are recognised on the trade date, which is the date the company commits to purchase or sell the asset. Cost of purchase includes transaction costs. Available-for-sale investments are subsequently carried at fair value, whilst originated loans are carried at amortised cost using the effective yield method. Realised and unrealised gains and losses arising from changes in the fair value of available-for-sale investments are recorded in the profit and loss account in the year in which they arise and are included in other operating income.

g) Accounting for leases

Leases of plant and equipment where the company assumes substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of fair value of the leased assets and the estimated present value of the underlying lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in non-current liabilities. The interest element of the finance charge is charged to the profit and loss account over the lease period. The property, plant and equipment acquired under finance leasing contracts are depreciated over the useful life of the asset.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

h) Growing crops

Costs deferred are charged to revenue over the production life cycle of individual crops

These comprise: -

- The company's share of development expenditure on the jointly controlled operations dealing with the growing of pineapples
- Expenditure on horticultural crops other than permanent plantings
- Production costs incurred during the year relating to future coffee harvests

i) Inventories

Inventories are stated at the lower of average cost and net realisable value. Cost comprises raw materials, direct labour, other direct costs and related production overheads, but excludes interest expense. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

j) Trade receivables

Trade receivables are carried at amortised invoice amount less provision made for impairment of these receivables. A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all the amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the market rate of interest for similar borrowers.

k) Employee entitlements

Employee entitlements to gratuity are recognised when they accrue to unionisable employees.
A provision is made for the estimated liability for such entitlements as a result of services rendered by employees up to the balance sheet date.

The estimated monetary liability for employees' accrued annual leave entitlement at the balance sheet date is recognised as an expense accrual.

l) Deferred tax

Deferred tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Tax rates enacted or substantively enacted at the balance sheet date are used to determine deferred tax.

Deferred tax assets are recognised for tax losses carried forward only to the extent that it is probable that the future taxable profits will be available against which the temporary differences can be utilised.

m) Retirement benefit obligations

The company operates a defined contribution pension scheme for management employees.
The assets of the scheme are held in a separately administered fund that is funded by contributions from both the company and employees.

The company's contributions to the defined contribution scheme are charged to the profit and loss account in the year to which they relate.

n) Dividends

Dividends on stock units are charged to equity in the period in which they are declared. Proposed dividends are shown as a separate component of equity until declared.

o) Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

1 SEGMENTAL REPORTING

In the context of IAS 14 (revised), segmental reporting, the consolidated financial statements are presented on the basis that the risks and rates of return are related to one segment, agriculture and horticulture. Within this segment the contributions to sales and gross profit/(loss) by product are:

		Group sales		Gross profit/(loss)	
		2002	2001	2002	2001
		Shs'000	Shs'000	Shs'000	Shs'000
Coffee		186,759	356,549	(46,375)	(41,009)
	Continuing operations	164,602	272,853	(46,717)	(34,158)
	Discontinued operations	22,157	83,696	342	(6,851)
Tea		375,497	426,330	80,363	100,879
Horticulture		480,300	439,447	121,499	29,340
Others		39,634	28,617	9,063	7,501
		1,082,190	1,250,943	164,550	96,711

By geographical markets group sales are substantially made in Kenya.

2 DISCONTINUED OPERATIONS

As reported in the Annual Financial Statements for the year ended 31 December 2001, the sale of Garton Limited was completed on 27 February 2002. The subsidiary is reported in these financial statements as discontinued operations. Discontinued operations are the figures of sales and results of the interests disposed of to the date of disposal and the comparative figures for the previous year.

The profit on disposal of the subsidiary is determined as follows:-

	Shs'000
Gross proceeds from disposal	111,035
Less: Legal fees	(513)
Net proceeds from disposal	110,522
Net assets disposed of	(107,129)
Profit on disposal	3,393

The revaluation surplus of Shs 48,060,000 (2001: Shs 19,210,624) on Property, plant and equipment arising from the disposal of the subsidiary has been dealt with in reserves in the consolidated statement of changes in equity on page 13.

The net cash inflow on disposal is determined as follows: -

Proceeds from disposal	111,035
Less: Legal fees	(513)
Add: Net borrowings in subsidiary sold	79,791
Net cash inflow on disposal	190,313

3 GROUP OPERATING PROFIT

The following items have been charged in arriving at group operating profit:-

	2002 Shs'000	2001 Shs'000
Depreciation on property, plant and equipment (Note 13(a))	71,160	81,935
Employment costs (Note 4)	295,426	321,277
Auditors' remuneration	2,206	3,318
Profit on disposal of property, plant and equipment	576	3,026
Profit on disposal of subsidiary	3,393	0
Investment income	774	774

4 EMPLOYMENT COSTS

	2002 Shs'000	2001 Shs'000
The following items are included within employment costs:		
Salaries and wages	283,843	310,569
Social security costs	9,653	7,313
Retirement benefits costs - defined contribution scheme	1,930	3,395
	295,426	321,277

	2002 Number	2001 Number
The average number of persons employed by the group at the year end were:		
- Permanent terms	1,078	1,269
- Seasonal terms	4,252	4,676
	5,330	5,945

5 FINANCE COSTS

	2002 Shs'000	2001 Shs'000
Interest expense:		
- long term borrowings	(34,907)	(45,304)
- short term borrowings	(29,061)	(56,846)
	(63,968)	(102,150)
Interest income:		
- originated loans	86	182
- other	336	3,337
Dividend income	774	774
Net foreign exchange gain	745	179
Net finance costs	(62,027)	(97,678)

6 TAX

	2002 Shs'000	2001 Shs'000
Current tax	(39)	(39)
Deferred tax (Note 12)	(349)	41,806
Tax (charge)/credit	(388)	41,767

The tax on the group's profit/(loss) before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	2002 Shs'000	2001 Shs'000
Profit/(loss) before tax	8,471	(95,934)
Tax (charge)/credit calculated at a tax rate of 30% (2001: 30%)	(2,541)	28,780
Tax effect of:		
Income not subject to tax	2,636	2,747
Expenses not deductible for tax purposes	(3,410)	(3,623)
Development expenditure	2,892	12,094
Other	74	1,808
	(349)	41,806
Current tax	(39)	(39)
Tax (charge)/credit	(388)	41,767

Tax recoverable at the year end comprises of:

	2002		2001	
	Group Shs'000	Company Shs'000	Group Shs'000	Company Shs'000
Income tax	25,349	25,296	30,313	25,219
Value added tax	43,162	43,162	46,552	40,958
	68,511	68,458	76,865	66,177

7 PROFIT/(LOSS) ATTRIBUTABLE TO THE MEMBERS OF KAKUZI LIMITED

The consolidated profit attributable to the members of Kakuzi Limited includes a profit of Shs 7.6 million (31 December 2001 – loss of Shs 35.9 million), which has been dealt with in the financial statements of Kakuzi Limited.

8 BASIC EARNINGS/(LOSS) PER STOCK UNIT

Basic earnings/(loss) per stock unit are calculated on the profits/(losses) attributable to the members of Kakuzi Limited and on the 19,599,999 stock units in issue at 31 December 2002 and 2001.

The company had no potentially dilutive stock units outstanding at 31 December 2002 or 2001.

9 DIVIDENDS

Proposed dividends are accounted for as a separate component of equity until they have been ratified at the annual general meeting. The directors do not recommend the payment of a dividend.

10 SHARE CAPITAL

	2002	2001
	Shs'000	Shs'000
Authorised:		
20,000,000 shares at Shs 5 each	100,000	100,000
Issued and converted into stock:		
19,599,999 units of Shs 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.

11 REVALUATION AND OTHER RESERVES

	2002		2001	
	Group	Company	Group	Company
	Shs'000	Shs'000	Shs'000	Shs'000
Property, plant and equipment (Note 13)	962,041	965,287	1,219,243	1,174,429
Prior year adjustment	0	0	(208,458)	(208,458)
	962,041	965,287	1,010,785	965,971
Investments (Note 16)	7,730	7,730	7,730	7,730
Total	969,771	973,017	1,018,515	973,701

The movement of revaluation and other reserves is fully disclosed in the consolidated statements of changes in equity and company statement of changes in equity set out on pages 13 and 14. The revaluation and other reserves relate to the surpluses arising from periodic valuation of certain property, plant and equipment (Note 13) and carrying of available-for-sale investments at fair value (Note 16). The revaluation and other reserves are non-distributable.

12 DEFERRED TAX

Deferred tax is calculated in full on all temporary differences under the liability method using a principal tax rate of 30% (2001:30%). The movement on the deferred tax account is as follows: -

	2002		2001	
	Group	Company	Group	Company
	Shs'000	Shs'000	Shs'000	Shs'000
At start of year	110,601	123,956	152,700	157,851
Disposal of subsidiary	14,083	0	0	0
Tax effect on property revaluations	(293)	(293)	(293)	(293)
Profit & loss account (Note 6)	349	1,077	(41,806)	(33,602)
At end of year	124,740	124,740	110,601	123,956

GROUP

	At 1 January 2002	Disposal of susbsidiary	Charged/ (credited) to P/L	Charged/ (credited) to equity	At 31 December 2002
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Deferred tax liabilities:-					
Accelerated tax allowances	215,474	(10,702)	(9,513)	0	195,259
Property revaluations	13,196	0	0	(293)	12,903
Expenditure on growing crops	42,475	(1,468)	7,572	0	48,579
	271,145	(12,170)	(1,941)	(293)	256,741
Deferred tax assets:-					
Provisions	(12,697)	665	(1,480)	0	(13,512)
Tax losses	(142,189)	25,585	1,601	0	(115,003)
Other temporary differences	(5,658)	3	2,169	0	(3,486)
	(160,544)	26,253	2,290	0	(132,001)
Net deferred tax liability	110,601	14,083	349	(293)	124,740

COMPANY

	At 1 January 2002	Charged/ (credited) to P/L	Charged/ (credited) to equity	At 31 December 2002
	Shs'000	Shs'000	Shs'000	Shs'000
Deferred tax liabilities:-				
Accelerated tax allowances	204,646	(9,387)	0	195,259
Property revaluations	13,196	0	(293)	12,903
Expenditure on growing crops	40,983	7,596	0	48,579
	258,825	(1,791)	(293)	256,741
Deferred tax assets:-				
Provisions	(12,053)	(1,459)	0	(13,512)
Tax losses	(117,161)	2,158	0	(115,003)
Other temporary differences	(5,655)	2,169	0	(3,486)
	(134,869)	2,868	0	(132,001)
Net deferred tax liability	123,956	1,077	(293)	124,740

13(a) PROPERTY, PLANT AND EQUIPMENT – GROUP

	Freehold land, buildings, improvements, dams and development Shs'000	Plant, machinery and tools Shs'000	Motor vehicles, tractors, trailers and implements Shs'000	Furniture, fittings and equipment Shs'000	Capital work in progress Shs'000	Total Sh'000
COST OR VALUATION						
At start of year	2,717,498	149,518	178,950	79,671	2,342	3,127,979
Reclassification of leasehold land (Note 14)	(215,964)	0	0	0	0	(215,964)
As restated	2,501,534	149,518	178,950	79,671	2,342	2,912,015
Disposal of subsidiary assets	(161,152)	(13,695)	(17,438)	(2,845)	0	(195,130)
Transfers	1,943	399	0	0	(2,342)	0
Additions	18,320	3,649	11,790	2,154	2,288	38,201
Disposals	(1,140)	(36)	(10,452)	(2,929)	0	(14,557)
At end of year	2,359,505	139,835	162,850	76,051	2,288	2,740,529
DEPRECIATION						
At start of year	295,340	67,734	148,964	57,277	0	569,315
Disposal of subsidiary assets	(29,496)	(8,644)	(16,084)	(2,129)	0	(56,353)
Charge for the year	42,548	9,957	11,603	7,052	0	71,160
Relating to disposals	0	(11)	(8,879)	(2,015)	0	(10,905)
At end of year	308,392	69,036	135,604	60,185	0	573,217
NET BOOK AMOUNT						
At 31 December 2002	2,051,113	70,799	27,246	15,866	2,288	2,167,312
At 31 December 2001	2,206,194	81,784	29,986	22,394	2,342	2,342,700

At 31 December 2002 property, plant and equipment with a cost or valuation amounting to Shs 236,508,577 (31 December 2001 – Shs 187,013,202) was fully depreciated. The normal annual depreciation charge would have been Shs 38,920,649 (31 December 2001 – Shs 31,836,412).

Property, plant and equipment are located in Thika, Maragua and Nandi districts.

Dams and development were last revalued by the directors on 1 January 1997; buildings and improvements were last revalued by the directors on 1 March 1993. The revaluations were based on an estimate of the open market value for agricultural properties with well-developed operations. The book amounts of the properties were adjusted to revaluations and the resultant surplus net of deferred income taxes was credited to revaluation reserve in shareholders' equity. If the freehold land, building, improvements, dams and development were stated on the historical cost basis, the amounts would be as follows: -

	2002 Shs'000	2001 Shs'000
Cost	1,376,457	1,434,806
Accumulated depreciation	266,757	256,724
Net book amount	1,109,700	1,178,082

In the opinion of the directors, there is no impairment of property, plant, and equipment.

14 PREPAID OPERATING LEASE RENTALS

Following clarification by the International Accounting Standards Board (IASB) in January 2002 and further guidance by the Institute of Certified Public Accountants of Kenya (ICPAK) the company has reclassified leasehold land from property, plant and equipment to prepaid operating lease rentals to be carried at historical cost less amortisation over the period of the lease.

As part of the reclassification, the revaluation surplus on leasehold land has been reversed against the revaluation reserve in the shareholders' equity.

	2002	2001
	Shs'000	Shs'000
The effect of the reclassification of leasehold land is as follows:-		
At start of year - as previously stated	0	0
Net book amount reclassified from property, plant and equipment (Note 13)	215,964	215,964
Reversal of revaluation surplus	(208,556)	(208,458)
Reversal of retained earnings	0	(90)
At 1 January - as restated	7,408	7,416
Amortisation charge for the year	(8)	(8)
At end of year (Note 28)	7,400	7,408

Bank borrowings are secured on leasehold land to the value of Shs 1,028 million (Note 22).

15 JOINT VENTURE – PINEAPPLE

The company has existing agreements with Cirio Del Monte Kenya Limited under which a minimum of 1094 hectares of the company's land was to be developed for growing pineapple. At 31 December 2002, 1170 hectares (2001 – 1211 hectares) of company land had been developed to grow pineapple. Pineapples are processed and sold by Cirio Del Monte Kenya Limited who acts as the operator/manager of the project.

The company's share of the revenue and expenses from the pineapple joint venture included in these financial statements are: -

	2002	2001
	Shs'000	Shs'000
Revenue	324,073	365,250
Expenses	(261,144)	(340,183)
Net income	62,929	25,067

The amounts due from and due to Cirio Del Monte Kenya Limited at the year-end in respect of transactions arising in the ordinary course of business are:-

	2002	2001
	Shs'000	Shs'000
Due from Cirio Del Monte Kenya Limited	85,213	50,952
Due to Cirio Del Monte Kenya Limited	72,592	74,930

At 31 December 2002 the company had no capital commitments (2001 – Nil) in respect of the pineapple joint venture.

16 INVESTMENTS

Investments comprise the following:

	2002		2001	
	Group	Company	Group	Company
	Shs'000	Shs'000	Shs'000	Shs'000
Available-for-sale investments				
- Unquoted equity shares	7,745	18,530	7,745	74,648
Originated loans				
- Bank deposits	2,463	2,463	3,125	2,396
	10,208	20,993	10,870	77,044
Total investments				
- Non-current	10,208	20,993	10,870	20,926
- Current	0	0	0	56,118
	10,208	20,993	10,870	77,044

Available-for-sale investments are fair valued annually at the close of business on 31 December. Fair value is estimated by reference to the current market of similar instruments or by reference to the discounted cash flows of the underlying net assets. The movement in available-for-sale investments is as follows: -

	2002		2001	
	Group	Company	Group	Company
	Shs'000	Shs'000	Shs'000	Shs'000
At start of year				
- as previously stated	7,745	74,648	15	10,813
- effect of adopting IAS 39	0	0	7,730	63,835
- as restated	7,745	74,648	7,745	74,648
Additions	0	0	0	0
Disposals	0	(56,118)	0	0
At end of year	7,745	18,530	7,745	74,648
Non-current	7,745	18,530	7,745	18,530
Current	0	0	0	56,118
Total available-for-sale investments	7,745	18,530	7,745	74,648

The subsidiary companies, all of which are incorporated in Kenya, and the company's shareholding in those companies are set out on page 1. Estates Services Limited (125,000 ordinary shares), Siret Tea Company Limited (400,000 ordinary shares) and Kaguru Limited (3,500 ordinary shares) are dormant.

17 GROWING CROPS

	Pineapple project Shs'000	Other horticultural crops Shs'000	Coffee Shs'000	2002 Total Shs'000	2001 Total Shs'000
GROUP					
At start of year	100,189	14,216	27,178	141,583	164,612
Disposal of subsidiary	0	0	(4,974)	(4,974)	0
Expenditure during the year	84,721	17,444	182,817	284,982	260,468
Charged to income statement	(72,343)	(16,519)	(170,799)	(259,661)	(283,497)
At end of year	112,567	15,141	34,222	161,930	141,583
Chargeable to income statement within one year	77,899	13,873	34,222	125,994	69,828
Chargeable to income statement after more than one year	34,668	1,268	0	35,936	71,755
COMPANY					
At start of year	100,189	14,216	22,204	136,609	162,488
Expenditure during the year	84,721	17,444	182,817	284,982	222,923
Charged to income statement	(72,343)	(16,519)	(170,799)	(259,661)	(248,802)
At end of year	112,567	15,141	34,222	161,930	136,609
Chargeable to income statement within one year	77,899	13,873	34,222	125,994	64,854
Chargeable to income statement after more than one year	34,668	1,268	0	35,936	71,755

18 RECEIVABLES AND PREPAYMENTS

	2002		2001	
	Group Shs'000	Company Shs'000	Group Shs'000	Company Shs'000
Trade receivables	107,860	107,860	101,874	95,905
Prepayments	891	891	1,694	1,557
Due from related companies (Note 27)	3,740	3,740	175	6,169
Loans to directors (Note 27)	50	50	170	170
Other receivables	32,461	32,461	28,229	27,690
Total	145,002	145,002	132,142	131,491
Non current portion	(14,063)	(14,063)	(13,951)	(13,442)
Current portion	130,939	130,939	118,191	118,049

18 RECEIVABLES AND PREPAYMENTS (Continued)

	2002		2001	
	Group Shs'000	Company Shs'000	Group Shs'000	Company Shs'000
Non current receivables comprise of:				
Loans to directors (Note 27)	0	0	50	50
Other receivables	14,063	14,063	13,901	13,392
	14,063	14,063	13,951	13,442

All non current receivables are due within 5 years from the balance sheet date.

19 INVENTORIES

	2002		2001	
	Group Shs'000	Company Shs'000	Group Shs'000	Company Shs'000
Coffee	86,505	86,505	81,095	55,031
Tea	53,728	53,728	47,559	47,559
Livestock	79,052	79,052	76,993	76,993
Raw materials	28,832	28,832	32,599	31,647
Total	248,117	248,117	238,246	211,230

20 PAYABLES AND ACCRUED EXPENSES

	2002		2001	
	Group Shs'000	Company Shs'000	Group Shs'000	Company Shs'000
Trade payables	95,249	95,249	108,268	107,139
Due to related company (Note 27)	17,501	33,884	9,737	26,113
Accrued expenses	46,890	46,890	49,375	46,787
Other payables	31,606	31,605	31,708	30,116
	191,246	207,628	199,088	210,155

21 PROVISION FOR LIABILITIES AND CHARGES (GRATUITY)

The movements in the year were as follows:

	2002		2001	
	Group Shs'000	Company Shs'000	Group Shs'000	Company Shs'000
At start of year				
- Long term portion	27,358	25,856	24,860	23,343
- Current portion	3,740	3,573	3,433	3,265
	31,098	29,429	28,293	26,608
Disposal of subsidiary	(1,669)	0	0	0
Utilised during year	(1,945)	(1,945)	(3,975)	(3,759)
Charged to income statement	5,330	5,330	6,780	6,580
	32,814	32,814	31,098	29,429
Less: Current portion	(4,576)	(4,576)	(3,740)	(3,573)
At end of year	28,238	28,238	27,358	25,856

22 BORROWINGS

	2002		2001	
	Group	Company	Group	Company
	Shs'000	Shs'000	Shs'000	Shs'000
Non-current portion:-				
Long term borrowings	282,923	282,923	308,542	308,542
Current portion:-				
Long term borrowings	24,800	24,800	25,152	25,152
Short term borrowings (Note 24)	370,047	370,047	449,295	369,377
	394,847	394,847	474,447	394,529
Total borrowings	677,770	677,770	782,989	703,071
Maturity of non current borrowings:				
Between 1 and 2 years	24,800	24,800	25,152	25,152
Between 2 and 5 years	8,123	8,123	33,390	33,390
Over 5 years	250,000	250,000	250,000	250,000
	282,923	282,923	308,542	308,542

The bank borrowings are secured by an undertaking, at any time if and when required by the banks, to execute legal or other mortgages and charges including fixed or floating charges, or assignments in favour of the banks to the value of Shs 1,028 million. In the opinion of the directors the carrying amount of the borrowings approximate fair value. Weighted effective interest rates at the year end were: -

		2002	2001
(i)	Short term borrowings:-	%	%
	In Kenya shillings	9.5	13.8
	In US dollars	3.2	5.6
(ii)	Long term borrowings:-		
	In Kenya shillings	12.2	15.1
	In US dollars	6.1	7.5

	2002	2001
	Shs'000	Shs'000
The group has the following undrawn borrowing facilities at end of year	257,578	137,905

The facilities expiring within one year are annual facilities subject to review at various dates during the year 2003.

23 CASH GENERATED FROM OPERATIONS

Reconciliation of profit/(loss) before tax to cash generated from operating activities:

	2002 Shs'000	2001 Shs'000
Profit/(loss) before tax	8,471	(95,934)
Profit on disposal of subsidiary (Note 2)	(3,393)	0
Loss before tax - discontinued operations	3,633	0
Depreciation (Note 13)	71,160	81,935
Depreciation - discontinued operations	(674)	0
Amortisation - operating lease rentals	8	8
Forestry development expenditure amortized	1,140	1,004
Profit on disposal of property, plant and equipment	(576)	(3,026)
Interest expense (Note 5)	63,968	102,150
Dividend income (Note 5)	(774)	(774)
Interest income on originated loans (Note 5)	(86)	(182)
Other interest income (Note 5)	(336)	(3,337)
Changes in working capital (excluding the effect of disposal of subsidiary)		
- Investments	(67)	(136)
- Growing crop charges (Note 17)	259,661	283,497
- Receivables and prepayments	(19,505)	(29,721)
- Receivable due from subsidiary	5,994	0
- Inventories	(36,887)	71,144
- Payables and accrued expenses	(1,232)	47,437
- Provisions for liabilities and charges	3,385	2,805
- Tax recoverable (Value added tax)	(2,204)	(19,315)
Cash generated from operations	351,686	437,555

24 CASH AND CASH EQUIVALENTS

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash in hand net of bank overdrafts. In the balance sheet, bank overdrafts are included in borrowings in current liabilities.

	2002	2001
Cash and cash equivalents at the end of the year comprise:	Shs'000	Shs'000
Cash at bank and in hand	15,342	17,246
Short term borrowings (Note 22)	(370,047)	(449,295)
	(354,705)	(432,049)

25 CAPITAL COMMITMENTS

	2002		2001	
	Group	Company	Group	Company
At end of year:	Shs'000	Shs'000	Shs'000	Shs'000
Authorised by the respective board of directors and contracted for but not recognised in the financial statements	4,680	4,680	1,336	1,336

26 CONTINGENT LIABILITIES

At 31 December 2002 the group had contingent liabilities in respect of bank guarantees amounting to Shs 7,532,706 (company – Shs 7,532,706) arising in the ordinary course of business.

27 RELATED PARTY TRANSACTIONS

A related party for the purpose of these financial statements is any company in which directly or indirectly Linton Park plc incorporated in England has a director or a shareholding. Linton Park plc provides technical and advisory services. Fellow subsidiaries within the Linton Park plc group act as brokers and managing agents for certain products of the company. These services are charged on an arms length basis.

(i) The following transactions were carried out with related parties:-

		2002		2001	
		Group	Company	Group	Company
		Shs'000	Shs'000	Shs'000	Shs'000
(a)	Purchase of goods and services:				
	Linton Park plc	14,972	14,972	11,156	11,156
	Robertson Bois Dickson Anderson Limited	12,272	12,272	14,537	14,537
	Eastern Produce Kenya Limited	26,303	26,303	29,062	29,062
		53,547	53,547	54,755	54,755
(b)	Sale of goods:				
	Eastern Produce Kenya Limited	9,030	9,030	640	640

(ii) The amounts due from and due to related companies represent outstanding obligations in respect of transactions arising in the ordinary course of business.

	2002		2001	
	Group	Company	Group	Company
	Shs'000	Shs'000	Shs'000	Shs'000
Due from related companies:-				
Robertson Bois Dickson Anderson Limited	3,740	3,740	175	175
Garton Limited	0	0	0	5,994
	3,740	3,740	175	6,169
Due to related companies:-				
Eastern Produce Kenya Limited	2,529	2,529	9,737	9,730
Estates Services Limited	0	2,570	0	2,570
Siret Tea Company limited	0	8,000	0	8,000
Kaguru Limited	0	5,813	0	5,813
Linton Park Plc	14,972	14,972	0	0
	17,501	33,884	9,737	26,113

27 RELATED PARTY TRANSACTIONS (Continued)

(iii) Loans to directors of the company:-

	Group Shs'000	Company Shs'000	Group Shs'000	Company Shs'000
At start of year	170	170	290	290
Loan repayments received	(120)	(120)	(120)	(120)
At end of year	50	50	170	170

The loans to directors were given on terms and conditions similar to those of the vehicle loan scheme for management employees.

(iv) Directors' remuneration

	Group Shs'000	Company Shs'000	Group Shs'000	Company Shs'000
- fees	413	411	452	442
- other emoluments	16,728	16,728	17,025	17,025
- payment to past directors	20	20	83	83
	17,161	17,159	17,560	17,550

28 OPERATING LEASE COMMITMENTS

The future minimum lease rentals under non-cancellable operating leases are as follows:

	Group	
	2002 Shs'000	2001 Shs'000
Not later than 1 year	8	8
Later than 1 year and not later than 5 years	40	40
Later than 5 years	7,352	7,360
Total (Note 14)	7,400	7,408

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 Allamanda Room, Serena Hotel, Nairobi, Kenya

on **21 May 2003** at 12.00 noon and at any adjournment thereof.

As witness my/our hand(s) this. .... day of 2003

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 appointer 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.

FIVE YEAR RECORD

	2002 Shs'000	2001 Shs'000	2000 Shs'000	1999 Shs'000	1998 Shs'000
Turnover	1,082,190	1,250,943	1,212,796	1,090,782	1,258,425
Profit/(loss) before tax	8,471	(95,934)	(85,766)	(16,615)	146,286
Tax	(388)	41,767	42,135	54,507	(38,536)
Profit/(loss) after tax	8,083	(54,167)	(43,631)	37,892	107,750
Minority interests	(490)	8,944	15,358	(1,187)	(7,527)
Profit/(loss) attributable to the members of Kakuzi Limited	7,593	(45,223)	(28,273)	36,705	100,223
Dividends	0	0	(7,840)	(39,200)	(53,900)
Retained profit/(loss) for the year	7,593	(45,223)	(36,113)	(2,495)	46,323
Capital and reserves:					
Called up share capital	98,000	98,000	98,000	98,000	98,000
Reserves	1,699,252	1,691,366	1,956,325	1,992,145	1,993,174
	1,797,252	1,789,366	2,054,325	2,090,145	2,091,174
Basic earnings/(loss) per stock unit (Shs)	0.39	(2.31)	(1.44)	1.87	5.11
Dividend per stock unit (Shs)	0.00	0.00	0.40	2.00	2.75
Dividend cover	0.00	0.00	0.00	0.94	1.86
Net asset value per stock unit (Shs)	91.70	91.29	104.81	106.64	106.69

All amounts are stated in Kenya shillings thousands (Shs'000) except where otherwise indicated.

MAJOR STOCKHOLDERS AND DISTRIBUTION SCHEDULE

MAJOR STOCKHOLDERS

The 10 major stockholders and their holdings as at 31 December 2002 were:

	Stockholder name	Number of stock units	%
1	Bordure Limited	5,107,920	26.06
2	Lintak Investments Limited	4,828,714	24.63
3	Kenya Re-insurance Corporation	980,423	5.00
4	Insurance Company of East Africa Limited - Life Fund a/c	531,300	2.71
5	John Kibunga Kimani	392,188	2.00
6	Craysell Investment Limited	321,205	1.63
7	The Jubilee Insurance Company Limited	296,340	1.51
8	First Nominees Limited - a/c 000KAK000	285,371	1.45
9	Barclays (Kenya) Nominees Limited non-resident a/c 9054	263,280	1.34
10	G H Kluge & Sons Limited	239,118	1.22

Linton Park Plc incorporated in England, by virtue of its shareholding in Bordure Limited incorporated in England and Lintak Investments Limited incorporated in Kenya, is deemed to be interested in these stock units.

DISTRIBUTION SCHEDULE

Stock units range	Number of stockholders	Number of stock units	%
Less than 500	368	91,979	0.469
501 to 5,000	498	974,884	4.974
5,001 to 10,000	71	561,703	2.866
10,001 to 100,000	96	2,563,668	13.080
100,001 to 1,000,000	21	5,471,131	27.914
over 1,000,000	2	9,936,634	50.697
	1,056	19,599,999	100.00