KAKUZI LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

1. Tea trade -- Kenya -- periodicals
2. Tea trade -- Kakuzi -- Kenya

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COUNTRY OF INCORPORATION

The company is incorporated in Kenya under the Kenyan Companies Act.

DIRECTORS

The directors who held office during the year and to the date of this report were:

Dr. T R Fowkes* Chairman
Mr. G H Mclean* Managing Director
Mr. S E Cowell* (resigned 30 June 2007)
Mr. K R Shah (appointed 28 August 2007)
Mr. R Kemoli
Mr. N Nganga
Mr. K W Tarplee*
* British

SECRETARY AND OFFICE AT WHICH REGISTER OF SECURITIES IS KEPT

J L G Maonga
Livingstone Associates
P O Box 30029
00100 NAIROBI
Telephone (020) 4441344
Facsimile (020) 4448966

REGISTERED OFFICE

Main office
Punda Milia Road, Makuyu
P O Box 24
01000 THIKA
Telephone (060) 33012
Facsimile (060) 31394
E-mail: mail@kakuzi.co.ke

REGISTRARS

Custody & Registrars Services Limited
Bruce House, 6th Floor
Standard Street
Moi Avenue
P O Box 8484
00100 NAIROBI
Telephone (020) 2230242
Facsimile (020) 243541

AUDITOR

PricewaterhouseCoopers
P O Box 43963
00100 NAIROBI

BANKERS

Kenya Commercial Bank Limited
P O Box 30081
00100 NAIROBI

Commercial Bank of Africa Limited
P O Box 45136
00100 NAIROBI

CFC Bank Limited
P O Box 72833
00200 NAIROBI

SUBSIDIARY COMPANIES

Estates Services Limited
Siret Tea Company Limited
Kaguru (EPZ) Limited

Notice of Meeting

NOTICE is hereby given that the Eightieth Annual General Meeting of the members of the Company will be held in the Tinga Tinga Room, The Norfolk Hotel, Nairobi, on Thursday 22 May 2008 at 12.00 noon for the following purposes:-

1. To read the notice convening the meeting.

2. To table the proxies and confirm the presence of a quorum.

3. To approve the minutes of the Seventy Ninth Annual General Meeting held on 22 May 2007.

4. To receive, consider and adopt the financial statements for the year ended 31 December 2007 together with the reports thereon of the Chairman, Directors and of the Independent Auditor.

5. To note that the directors do not recommend payment of a dividend in respect of the financial year ended 31 December 2007.

6. To elect Directors: -

   (a) In accordance with Article 86 of the Company's Articles of Association, Mr R Kemoli and Dr T R Fowkes retire by rotation and, being eligible, offer themselves for re-election.

   (b) In accordance with Article 91 of the Company's Articles of Association, Mr K R Shah retires at this meeting and, being eligible, offers himself for re-election.

7. To approve the Directors' remuneration for the financial year ended 31 December 2007.

8. To note that Messrs PricewaterhouseCoopers continue in office as Auditors by virtue of section 159 (2) of the Companies Act (Cap) 486 and to authorise the Directors to fix their remuneration for the ensuing financial year.

BY ORDER OF THE BOARD

J L G Maonga
Company Secretary

11 March 2008

Note:

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.

The attached Financial Statements have been prepared in accordance with International Financial Reporting Standards, in particular International Accounting Standard 41 – Agriculture. Under this Standard certain biological assets are valued in relation to their expected future earnings. The change in the value of biological assets from one year to the next is taken to the Profit and Loss Account which has resulted in a contribution of Sh 164 million towards our 2007 profit. This figure is derived primarily from the valuation of our avocado plantings as they mature.

Overall the Kakuzi operating profit in 2007 amounted to Sh 321 million, including the biological assets fair value change, compared to Sh 253 million in 2006. After finance costs of Sh 51 million, income tax expense of Sh 79 million and minority interest of Sh 2 million, the net profit attributable to the members of Kakuzi Limited for 2007 was Sh 190 million or Sh 9.68 per stock unit.

On 1 October 2007 we transferred the assets and associated business of Siret Tea Estate and Factory (but not Kaboswa Tea Estate) back into Siret Tea Company Limited. We had previously entered into a framework agreement with EPK Outgrowers Empowerment Project Company Limited for the eventual sale of Siret Tea Estate and Factory. On 1 October EPK Outgrowers Empowerment Project Company Limited acquired a 14% shareholding in Siret Tea Company Limited for a consideration Sh 53.9 million, thereby generating a profit for Kakuzi of Sh 22.8 million.

TEA

ESTATE PRODUCTION IN 2007 – 3.3 MILLION KG OF MADE TEA FROM 959 HA (2006 – 2.6 MILLION KG FROM 959 HA). FACTORY PRODUCTION IN 2007 – 4.0 MILLION KG OF MADE TEA (2006 – 3.4 MILLION KG).

In contrast to our Makuyu estates which were extremely dry throughout most of 2007 (rainfall at Makuyu was 28% down for the year in relation to the ten-year average), rainfall at Siret and Kaboswa in 2007 was very satisfactory (12% up for the year in relation to the ten-year average). Cropping levels in 2007 were significantly above expectations (27% higher than in 2006), as was factory throughput (17% higher than in 2006). Tea prices in US dollar terms were somewhat above forecast levels, but well below the prices attained in 2006. Returns in Kenya shilling terms were adversely affected by the strength of the Kenya shilling in relation to the US dollar. Overall our tea operations recorded a small profit for the year.

AVOCADO

PRODUCTION IN 2007 – 3,578 TONNES OF WHICH 2,642 TONNES EXPORTED.
(PRODUCTION IN 2006 – 3,383 TONNES OF WHICH 2,934 TONNES EXPORTED).

In 2007 avocados again generated a very significant contribution to company profits. Total production exceeded the record volumes we produced in 2006, and we exported 120 forty-foot containers of our own Hass avocados to Europe. In addition we packed and exported 40 containers of outgrower greenskin Fuerte avocados. Our new packhouse again performed well, and we additionally packed 38 containers of avocados for another Kenyan exporter. Our principal operating problems related to shipping, partly due to inefficiencies at Mombasa port and partly due to the fact that our main shippers abandoned the direct route from Mombasa to Marseilles.

Transshipment problems resulted in insurance claims for 17 containers, most of which are still being disputed. Avocado prices in Europe during our Hass season were very attractive, influenced by frosts experienced by our competitors in South Africa and Chile. During 2007 we planted an additional 11 ha of avocado, bringing our avocado plantings to a total of 339 ha at the year-end.

OTHER HORTICULTURE

153 HA DEVELOPED TO OTHER HORTICULTURAL CROPS PLUS 328 HA OF JOINT VENTURE PINEAPPLE AT 31 DECEMBER 2007. (62 HA DEVELOPED TO OTHER HORTICULTURAL CROPS PLUS 647 HA OF JOINT VENTURE PINEAPPLE AT 31 DECEMBER 2006).

Our original jointly controlled canned pineapple project with Del Monte Kenya Limited continues to be wound down. As at year-end 2007 remaining plantings totalled 328 ha, the final field being due to be harvested in September 2008. A new joint project agreement was signed with Del Monte at the beginning of November 2007 envisaging new plantings of 508 ha of which approximately 200 ha have already been planted.

Our fresh pineapple operation continued to make a useful contribution to company profits in 2007. Citrus however was again disappointing primarily due to the incidence of greening disease. As a result we removed a further 7 ha of citrus, leaving just 7 ha in the ground.

We made a promising start to our macadamia development with 98 ha planted by year-end 2007. A further 29 ha were planted in January this year, and our hope is to plant another 100 ha later this year along the Kakuzi Hills.

LIVESTOCK

**CATTLE SALES IN 2007 – 840 HEAD PLUS 198 STORE CATTLE. (2006 - 924 HEAD PLUS 62 STORE CATTLE).
CATTLE HERD IN 2007 – 3,749 HEAD PLUS 468 STORE CATTLE. (2006 – 3,927 HEAD PLUS 406 STORE CATTLE).**

During 2007 grazing was generally poor due to the near drought conditions which we experienced at Makuyu for much of the year, necessitating supplementary feeding of urea, molasses, milled maize and lucerne. Sales were poor in the early part of the year due to the national outbreak of Rift Valley Fever, but additional sales opportunities in November and December enabled us to make up this shortfall. We again concentrated on on-farm slaughter enabling us to supply cold dressed carcasses into Nairobi rather than live cattle. In this regard we have now upgraded our slaughterhouse and associated facilities.

FORESTRY

Our forestry operations proved to be unusually profitable in 2007. Sales of pine from our Siret and Kaboswa estates in Nandi Hills made a very useful contribution once again. In addition our treated pole contract with Kenya Power and Lighting Limited was successfully completed. Sales of charcoal, firewood and timber exceeded expectations, in particular the supply of timber for manufacturing avocado pallets. One particular problem for our Forestry Division however was the incidence of arson attacks in our plantations along the Kakuzi Hills.

During 2007 we planted an additional 26 ha of forestry at Makuyu. We also invested in our own heavy-duty on-farm logging trailer plus mechanical grab which will significantly improve our operational efficiency.

DIVIDEND

It is imperative that we further reduce the level of the company's borrowings. The profit we are reporting for 2007 is due largely to the revaluation of our biological assets (as noted above), and this revaluation does not generate any cash in the current year. Your directors therefore do not recommend the payment of a dividend for 2007.

PROSPECTS

The political problems in Kenya this year have affected the company's operations to a limited extent. Fortunately there has been no direct impact upon our Makuyu estates, although local sales within Kenya have been reduced. Nandi Hills in general suffered significant problems as a large number of employees and certain key contractors were forced to evacuate, hopefully temporarily.

Rainfall in Nandi Hills has been well below average for the past three months and tea production has suffered accordingly. However tea prices have been buoyant as a result. Furthermore the Kenya shilling/US dollar exchange rate moved briefly in our favour due to political and financial uncertainties. Our high cost of labour as compared with other tea producing countries is a source of concern. Under such circumstances it is difficult to make any sensible forecast as to tea profitability for the year ahead.

We are hoping for another good year for our Hass avocados on European markets in 2008. We are expecting a record year in terms of production, with exports up by perhaps 30% in relation to 2007. Much will depend upon the efficiency of the shipping lines we are forced to use between Mombasa and Europe, and management are currently in discussions with them to try to ensure that the problems encountered in 2007 will be considerably reduced. We are undertaking a significant expansion of our avocado packhouse in order to increase throughput, the coldroom capacity in particular being doubled. We intend to plant a further 39 ha of avocado in 2008, and we shall continue to seek FairTrade accreditation for Kakuzi avocados on European markets. We hope to expand the packing and marketing of outgrower Fuerte avocados.

Local sales of quality beef and fresh pineapple have been adversely affected by the political problems this year, in particular in relation to sales into the tourist trade. However unseasonal rains in January have much improved our pastures and we are optimistic about future beef sales.

Prospects for forestry are again promising, and we are currently upgrading our pole treatment plant. We intend to plant an additional 30 ha of forestry at Makuyu during 2008.

DR T R FOWKES
CHAIRMAN
11 MARCH 2008

The directors submit their report together with the audited financial statements for the year ended 31 December 2007, which disclose the state of affairs of the company.

PRINCIPAL ACTIVITIES

The principal activities of the company comprise:

- The cultivation, manufacture and selling of tea
- Growing and selling of avocados
- Livestock farming
- Jointly controlled operations dealing with growing of pineapples
- Growing of other horticultural crops
- Forestry development

RESULTS AND DIVIDEND

The net profit for the year of Shs 191,597,000 has been added to retained earnings. During the year no interim dividend (2006: Shs Nil) was paid. The directors do not recommend the approval of a final dividend (2006: Shs Nil).

ANNUAL GENERAL MEETING

The Eightieth Annual General Meeting of the company will be held in the Tinga Tinga Room, The Norfolk Hotel, Nairobi, on 22 May 2008 at 12.00 noon.

DIRECTORS

The directors who held office during the year and to the date of this report are set out on page 1.

Mr. K R Shah was appointed as director on 28 August 2007.

Mr. S E Cowell resigned as director on 30 June 2007.

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

	At 31 December 2007		At 31 December 2006	
	Beneficial Stock units	**Non-beneficial Stock units**	**Beneficial Stock units**	**Non-beneficial Stock units**
Dr. T R Fowkes	-	300	-	300
Mr. R Kemoli	-	-	-	-
Mr. N Nganga	1,000	-	1,000	-
Mr. K W Tarplee	-	75	-	75
Mr. G H Mclean	100	-	100	-
Mr. K R Shah	200	-	-	-

In accordance with Article 86 of the Company's Articles of Association, Mr. R Kemoli and Dr. T R Fowkes retire by rotation and being eligible, offer themselves for re-election.

In accordance with Article 91 of the Company's Articles of Association, Mr. K R Shah retires at this meeting and, being eligible, offers himself for re-election.

AUDITOR

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

By order of the Board

Mr. G H Mclean
Managing Director

11 March 2008

The Kenyan 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 group and of the company as at the end of the financial year and of the group's profit or loss. 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 estimates, in conformity with International Financial Reporting Standards and the requirements of the Kenyan 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 group and of the company and of the group's profit in accordance with International Financial Reporting Standards. 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 designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement.

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

Mr. G H Mclean | **Mr. K R Shah**

11 March 2008 | 11 March 2008

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 two independent and four non-executive directors. The board is responsible for setting strategy, approving budgets, capital expenditure, investment and divestments. The board meets at least four times a 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 two independent and non-executive directors, and 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 Camellia Plc and the size of the company's operations.

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.

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. The committee also meets with the external auditors at the commencement and conclusion of the audit.

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 exchange within the prescribed period at each half-year and year end.

Mr. G H Mclean | **Mr. K R Shah**

11 March 2008 | 11 March 2008

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF KAKUZI LIMITED

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Kakuzi Limited (the company) and its subsidiaries (together, the group), as set out on pages 12 to 45. These financial statements comprise the consolidated balance sheet at 31 December 2007 and the consolidated profit and loss account, statement of changes in equity and cash flow statement for the year then ended, together with the balance sheet of the company standing alone as at 31 December 2007 and the statement of changes in equity of the company for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with the requirements of the Kenyan Companies Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an independent opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform our audit to obtain reasonable assurance that the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the accompanying financial statements give a true and fair view of the state of the financial affairs of the group and of the company at 31 December 2007 and of the profit and cash flows of the group for the year then ended in accordance with International Financial Reporting Standards and the Kenyan Companies Act.

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF KAKUZI LIMITED (continued)

Report on other legal requirements

The Kenyan Companies Act requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

ii) in our opinion proper books of account have been kept by the company, so far as appears from our examination of those books;

iii) the company's balance sheet is in agreement with the books of account.

PricewaterhouseCoopers

Certified Public Accountants
Nairobi

11 March 2008

Consolidated profit and loss account

	Notes	Year ended 31 December 2007 Shs'000	2006 Shs'000
Sales		1,512,118	1,399,194
Gains arising from changes in fair value less estimated point-of-sale costs of biological assets	16	164,034	198,828
		1,676,152	1,598,022
Cost of production		(1,080,741)	(1,053,041)
Gross profit		595,411	544,981
Other operating income		10,973	2,158
Distribution costs		(197,382)	(165,344)
Administrative expenses		(110,520)	(128,652)
Profit on sale of shares in subsidiary	18 (d)	22,850	-
Operating profit	6	321,332	253,143
Finance costs	8	(51,002)	(63,391)
Profit before income tax		270,330	189,752
Income tax expense	9	(78,733)	(56,701)
Profit for the year (of which Shs 177,851,000 has been dealt with in the accounts of the company)		191,597	133,051
Attributable to:			
Equity holders of the company		189,643	133,051
Minority interest		1,954	-
Earnings per share attributable to equity holders of the company:		Shs	Shs
Basic and diluted earnings per stock unit	10	9.68	6.79
Dividends:		Shs'000	Shs'000
Interim dividends - paid in the year	10	-	-
Proposed final dividend for the year	10	-	-
		-	-

Consolidated and company balance sheets

	Notes	Group 31 December 2007 Shs'000	Group 31 December 2006 Shs'000	Company 31 December 2007 Shs'000	Company 31 December 2006 Shs'000
CAPITAL AND RESERVES ATTRIBUTABLE TO COMPANY'S EQUITY HOLDERS					
Share capital	11	98,000	98,000	98,000	98,000
Retained earnings		1,134,912	945,269	1,117,470	939,619
Attributable to company's equity holders		1,232,912	1,043,269	1,215,470	1,037,619
Minority interest		33,004	-	-	-
Total equity		1,265,916	1,043,269	1,215,470	1,037,619
Non-current liabilities					
Borrowings	12	183,000	245,000	183,000	245,000
Deferred income tax	13	455,078	380,245	378,458	380,245
Retirement benefit obligations	14	39,765	35,204	24,337	35,204
		677,843	660,449	585,795	660,449
		1,943,759	1,703,718	1,801,265	1,698,068
REPRESENTED BY					
Non-current assets					
Property, plant and equipment	15	619,257	630,259	545,439	630,259
Biological assets	16	1,396,587	1,251,272	1,190,072	1,251,272
Prepaid operating lease rentals	17	8,135	8,145	4,434	8,145
Investment in subsidiaries	18	-	-	193,735	10,786
Non-current receivables	20	12,428	12,450	10,324	12,450
		2,036,407	1,902,126	1,944,004	1,912,912
Current assets					
Inventories	19	78,733	73,443	33,616	73,443
Receivables and prepayments	20	198,704	254,904	148,873	254,904
Current income tax recoverable		33,794	33,764	33,741	33,711
Cash and cash equivalents	22	26,043	31,630	20,321	31,630
		337,274	393,741	236,551	393,688
Current liabilities					
Payables and accrued expenses	21	207,235	183,106	163,922	199,489
Current income tax payable		3,900	-	-	-
Borrowings	12	212,445	404,110	212,445	404,110
Retirement benefit obligations	14	6,342	4,933	2,923	4,933
		429,922	592,149	379,290	608,532
Net current liabilities		(92,648)	(198,408)	(142,739)	(214,844)
		1,943,759	1,703,718	1,801,265	1,698,068

The financial statements on pages 12 to 45 were approved for issue by the board of directors on 11 March 2008 and signed on its behalf by:

Mr. K R Shah **Mr. G H Mclean**

Consolidated statement of changes in equity

	Share capital Shs'000	Retained earnings Shs'000	Attributable to equity holders Shs'000	Minority Interests Shs'000	Total Equity Shs'000
Year ended 31 December 2006					
At start of year	98,000	812,218	910,218	-	910,218
Profit for the year	-	133,051	133,051	-	133,051
At end of year	98,000	945,269	1,043,269	-	1,043,269
Year ended 31 December 2007					
At start of year	98,000	945,269	1,043,269	-	1,043,269
Sale of shares in subsidiary (Note 18)	-	-	-	31,050	31,050
Profit for the year	-	189,643	189,643	1,954	191,597
At end of year	98,000	1,134,912	1,232,912	33,004	1,265,916

Company statement of changes in equity

	Share capital Shs'000	Retained earnings Shs'000	Total Equity Shs'000
Year ended 31 December 2006			
At start of year	98,000	806,568	904,568
Profit for the year	-	133,051	133,051
At end of year	98,000	939,619	1,037,619
Year ended 31 December 2007			
At start of year	98,000	939,619	1,037,619
Profit for the year	-	177,851	177,851
At end of year	98,000	1,117,470	1,215,470

Consolidated cash flow statement

	Notes	Year ended 31 December 2007 Shs'000	2006 Shs'000
Operating activities			
Cash generated from operations	26	349,632	150,705
Interest paid		(51,954)	(72,497)
Income tax paid		(30)	(47)
Net cash from operating activities		297,648	78,161
Investing activities			
Purchase of property, plant and equipment	15	(41,253)	(60,901)
Purchase of biological assets and development	16	(63,532)	(54,892)
Proceeds from disposal of property, plant and equipment		1,315	1,498
Proceeds from sale of shares in subsidiary	18	53,900	-
Net cash from used in investing activities		(49,570)	(114,295)
Financing activities			
Proceeds from long-term borrowings		-	120,000
Payments on long-term borrowings		(37,500)	(62,500)
Net cash (used in)/from financing activities		(37,500)	57,500
Increase in cash and cash equivalents		210,578	21,366
Movement in cash and cash equivalents			
At start of year		(322,480)	(343,846)
Increase		210,578	21,366
At end of year	22	(111,902)	(322,480)

Notes

1 General information

Kakuzi Limited is incorporated in Kenya under the Kenyan Companies Act as a public limited liability company, and is domiciled in Kenya. The address of its principal office is:

Main Office
Punda Milia Road, Makuyu
P O Box 24
01000 THIKA

The company's shares are listed on the Nairobi Stock Exchange and The London Stock Exchange.

2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements are prepared in compliance with International Financial Reporting Standards (IFRS). The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below. The financial statements are presented in Kenya Shillings (Shs), rounded to the nearest thousand.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

Adoption of new and revised standards

In 2007 the following new and revised standards and interpretations became effective for the first time and have been adopted by the company where relevant to its operations. The comparative figures have been restated as required, in accordance with the relevant requirements.

IAS 1 Amendment, Capital Disclosures. The amendment to IAS 1 introduces disclosures about the level of the Company's capital and how it manages capital.

IFRS 7, Financial Instruments: Disclosures. IFRS 7 introduces new disclosures to improve the information about financial instruments. It does not have any impact on the classification or measurement of the Group's financial instruments.

Notes (continued)

2 Summary of significant accounting policies (continued)

Standards, interpretations and amendments to published standards that are not yet effective

The following amendment to an existing standard, new standard and interpretations will be mandatory for the company's accounting periods beginning on or after 1 January 2008, but which the company has not early adopted:

- IFRIC 11 – Group and Treasury Share Transactions – from 1 January 2008
- IFRIC 12 – Service Concession Arrangements – from 1 January 2008
- IFRS 8 – Operating Segments – from 1 January 2009
- IAS 23 – Borrowing Costs (revised) – from 1 January 2009

The Directors have assessed the relevance of these amendments and interpretations with respect to the Group's operations and concluded that they are not relevant to the company, other than IFRS 8, which will result in changes to the reportable segments and the information disclosed in respect of those segments.

(b) Consolidation of subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(c) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

(d) Income recognition

Sales other than by auction are recognised upon delivery of products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured. Sales by auction are recognised upon the fall of the hammer for confirmed bids.

The final annual sales amount for the pineapple joint venture with Del Monte Kenya Limited is determined on a formula basis which depends on the average Del Monte Kenya Limited pineapple selling price achieved on a world wide basis. This price 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 is determined prudently on the basis of best information available.

Revenue comprises the fair value of the consideration received and receivable for the sale of products in the ordinary course of company activities and is stated net of value-added-tax (VAT) and discounts.

Interest income is recognised on a time proportion basis that takes into account the effective yield on the asset.

Dividends are recognised as income in the period the right to receive payment is established.

Notes (continued)

2 Summary of significant accounting policies (continued)

(e) Translation of foreign currencies

Transactions are recorded on initial recognition in Kenya Shillings, being the currency of the primary economic environment in which the company operates (the functional currency). Transactions in foreign currencies are converted into Kenya Shillings using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

The functional currency of all group entities is Kenya Shillings.

(f) Property, plant and equipment

All categories of property, plant and equipment are initially recorded at historical cost.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account during the financial period in which they are incurred.

Freehold land is not depreciated. Depreciation on other assets is calculated using the straight line method to write down their cost to their residual values over their estimated useful life as follows:

Buildings, dams and improvements	4 – 40 years
Plant and machinery	10 – 13 years
Motor vehicles, tractors, trailers and implements	4 – 10 years
Furniture, fittings and equipment	3 – 8 years
Capital work in progress is not depreciated	

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amounts and are taken into account in determining operating profit.

Notes (continued)

2 Summary of significant accounting policies (continued)

(g) Biological assets

Biological assets are measured on initial recognition and at each balance sheet date at fair value less estimated point-of-sale costs. Any gains or losses arising on initial recognition of biological assets and from subsequent changes in fair value less estimated point-of-sale costs are recognised in the profit and loss account in the year in which they arise.

The fair value of livestock is determined based on market prices of livestock of similar age, breed and genetic merit. The fair value of other biological assets is determined based on the net present values of expected future cash flows, discounted at current market-determined pre-tax rates. The discount rates used reflect the cost of capital, an assessment of country risk, and the risks associated with individual crops.

Purchases and development of biological assets include cost of planting, breeding and upkeep until they mature.

Subsequently all costs of upkeep and maintenance of mature biological assets are recognised in the profit and loss account under cost of production in the period in which they are incurred.

(h) Accounting for leases

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

(i) Inventories

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

The cost of made tea comprises the fair value less estimated point-of-sale costs of green leaf at the point of harvest, direct labour, and other direct costs and related production overheads, but excludes interest expense.

Agricultural produce at the point of harvest is measured at fair value less estimated point-of-sale costs. Any changes arising on initial recognition of agricultural produce at fair value less estimated point-of-sale costs are recognised in the profit and loss account in the year in which they arise.

The cost of other inventory is determined by the weighted average method. 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) Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. A provision for impairment of 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 present value of expected cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the profit and loss account.

Notes (continued)

2 Summary of significant accounting policies (continued)

(k) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(l) Employee benefits

(i) Post-employment benefits

For non-management employees, the company has an unfunded obligation to pay terminal gratuities under its Collective Bargaining Agreement with the union. Employees who resign after completing at least ten years of service are entitled to twenty one days pay for each completed year of service. The liability recognised in the balance sheet in respect of this defined benefit scheme is the present value of the defined benefit obligation at the balance sheet date. The obligation is estimated annually by the directors.

The company operates a defined contribution post-employment benefit scheme for management employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. The company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The assets of the defined contribution post-employment benefit scheme are held in a separate trustee administered fund, which is funded by contributions from both the company and the employees. The company and all its employees also contribute to the statutory National Social Security Fund, which is a defined contribution scheme.

The company's contributions to both these defined contribution schemes are charged to the profit and loss account in the year in which they fall due.

(ii) Other entitlements

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

(m) Income tax

Income tax expense is the aggregate of the charge to the profit and loss account in respect of current income tax and deferred income tax.

Current income tax is the amount of income tax payable on the profit for the year determined in accordance with the Kenyan Income Tax Act.

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. However, if the deferred income tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Notes (continued)

2 Summary of significant accounting policies (continued)

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

(n) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method; any differences between proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(o) Dividends

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

3 Financial risk management objectives and policies

The group's activities expose it to a variety of financial risks, including credit risk, prices for its agricultural produce, foreign currency exchange rates and interest rates. The group's overall risk management programme focuses on the unpredictability of financial and agricultural markets and seeks to minimise potential adverse effects on its financial performance, but the group does not hedge any risks.

Financial risk management is carried out by the finance department under policies approved by the Board of Directors. These policies provide principles for overall risk management, as well as policies covering specific areas such as commodity price risk, foreign exchange risk, interest rate risk, credit risk.

Market risk

(i) Foreign exchange risk

The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and Euro. Foreign exchange risk arises from future commercial transactions, and recognised assets and liabilities.

At 31 December 2007, if the Shilling was weaker by 5% against the US dollar with all other variables held constant, net assets would have been Shs 2,807,000 lower (2006: Shs 2,663,000), mainly as a result of US dollar denominated bank borrowings.

At 31 December 2007, if the Shilling was weaker by 5% against the Euro with all other variables held constant, net assets would have been Shs 1,527,000 higher (2006: Shs Nil), mainly as a result of Euro denominated trade receivables.

(ii) Price risk

The group does not hold any financial instruments subject to price risk.

Notes (continued)

3 Financial risk management objectives and policies (continued)

Credit risk

Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables. The group does not have any significant concentrations of credit risk. The group has policies in place to ensure that sales are made to customers with an appropriate credit history.

The amount that best represents the group's maximum exposure to credit risk at 31 December 2007 is made up as follows:

	2007 Shs'000	**2006 Shs'000**
Cash and cash equivalents	25,514	23,206
Trade receivables	96,898	175,350
Receivables from related companies	2,600	-
Loans to key management personnel	400	841
Other receivables	19,425	20,070
	144,837	219,467

No collateral is held for any of the above assets. The company does not grade the credit quality of receivables. All receivables that are neither past due or impaired are within their approved credit limits, and no receivables have had their terms renegotiated.

None of the above assets are past due or impaired except for the following amounts (which are due within 30 days of the end of the month in which they are invoiced):

	2007 Shs'000	**2006 Shs'000**
Past due but not impaired:		
by up to 30 days	6,451	6,544
by 31 to 60 days	1,331	518
by 61 to 90 days	1,872	209
over 90 days	64,807	106,812
Total past due but not impaired	74,461	114,083
Impaired	-	-

Notes (continued)

3 Financial risk management objectives and policies (continued)

Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash balances, and the availability of funding from an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the finance department maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitors rolling forecasts of the company's liquidity reserve on the basis of expected cash flow.

The table below analyses the company's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year	**Between 1 and 2 years Shs'000**	**Between 2 and 5 years Shs'000**	**Over 5 years Shs'000**
At 31 December 2007:				
- Bank borrowings	231,967	82,155	124,305	-
- Trade and other payables	207,234	-	-	-
At 31 December 2006:				
- Bank borrowings	422,252	75,465	195,442	6,690
- Trade and other payables	183,106	-	-	-

Notes (continued)

3 Financial risk management objectives and policies (continued)

Capital risk management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the company may limit the amount of dividends paid to shareholders.

The company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity plus net debt.

The company's target is to further reduce the gearing ratio. The gearing ratios at 31 December 2007 and 2006 were as follows:

	2007 Shs'000	**2006 Shs'000**
Total borrowings	395,445	649,110
Less: cash and cash equivalents	(26,043)	(31,630)
Net debt	369,402	617,480
Total equity.	1,265,916	1,043,269
Total capital	1,635,318	1,660,749
Gearing ratio	22.6%	37.2%

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

<u>(i) Biological assets</u>

Critical assumptions are made by the directors in determining the fair values of biological assets. The key assumptions are set out in Note 16.

<u>(ii) Property, plant and equipment</u>

Critical estimates are made by the directors in determining depreciation rates for property, plant and equipment. The rates used are set out in Note 2(f) above.

Notes (continued)

4 Critical accounting estimates and judgements (continued)

(b) Critical judgements in applying the entity's accounting policies

In the process of applying the company's accounting policies, management has made judgements in determining:

- the selling prices for the pineapples under the joint venture
- whether assets are impaired.
- the recoverability of tax assets

(c) Critical judgement on going concern

The group's current liabilities exceeded its current assets by Shs 93 million at the balance sheet date (2006 – Shs 198 million). The financial statements have been prepared on a going concern basis, which assumes continued availability of the group's banking facilities to meet its obligations as they fall due. The facilities expire during 2008. The relevant banks have confirmed to the directors that they are not aware of any factors that would affect the renewal of the facilities. In the circumstances, the directors are of the opinion that the going concern basis of preparing the financial statements is appropriate.

If the group was unable to meet its financial obligations in the foreseeable future, adjustments would have to be made to reduce the balance sheet values of assets to their recoverable amounts, to provide for further liabilities that might arise and to reclassify non-current assets and liabilities to current assets and liabilities.

5 Segmental reporting

The directors consider the group to comprise of one business segment, agriculture. The consolidated financial statements are presented on the basis that the risks and rates of return are related to this segment.

6 Operating profit – Group

The following items have been charged/(credited) in arriving at operating profit: -

	2007 Shs'000	2006 Shs'000
Depreciation on property, plant and equipment (Note 15)	45,927	48,696
Repairs and maintenance expenditure on property, plant and equipment	19,945	21,745
Loss/(profit) on disposal of property, plant and equipment	5,013	(18)
Profit on sale of shares in subsidiary (Note 18 (d))	22,850	-
Amortisation of prepaid operating lease rentals (Note 17)	10	10
Gain arising from changes in fair value less estimated point-of-sale costs of biological assets (Note 16)	(164,034)	(198,828)
Inventories expensed	676,216	703,689
Write down of inventories	81	421
Employee benefits expense (Note 7)	284,674	247,676
Auditors' remuneration	3,874	3,453

Notes (continued)

7 Employee benefits expense – Group

The following items are included within employee benefits expense:

	2007 Shs'000	2006 Shs'000
Salaries and wages	265,011	227,597
Post-employment benefits costs:		
Defined benefit scheme (Note 14)	11,825	12,329
Defined contribution scheme	1,841	1,848
National Social Security Fund	5,997	5,902
	284,674	247,676

8 Finance (costs)/income – Group

	2007 Shs'000	2006 Shs'000
Interest expense:		
- Bank borrowings and overdrafts	(48,062)	(62,286)
- Related party short-term loans	(4,314)	(2,832)
	(52,376)	(65,118)
Net foreign exchange gains	1,374	1,727
Net finance costs	(51,002)	(63,391)

9 Income tax expense – Group

	2007 Shs'000	2006 Shs'000
Current income tax	3,900	-
Deferred income tax (Note 13)	74,833	56,701
Income tax expense	78,733	56,701

Notes (continued)

11 Share capital

	Number of stock units (Thousands)	Ordinary shares Shs'000
Authorised		
At 1 January 2006, 31 December 2006 and 31 December 2007	20,000	100,000
Issued and converted into stock units		
At 1 January 2006, 31 December 2006 and 31 December 2007	19,600	98,000

The par value of the stocks is Shs 5 per stock unit. 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.

The company's shares are listed on the Nairobi Stock Exchange and The London Stock Exchange.

12 Borrowings – Group and Company

	2007 Shs'000	2006 Shs'000
The borrowings are made up as follows:		
Non-current		
Bank borrowings	183,000	245,000
Current		
Bank overdrafts	137,945	354,110
Bank borrowings	74,500	50,000
	212,445	404,110
Total borrowings	395,445	649,110

The bank borrowings are secured by an undertaking, at anytime 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 800,898,000.

The carrying amount of the short term borrowings approximate to the fair value. It is impracticable to assign fair values to the group's long term liabilities due to inability to forecast interest rates and foreign exchange rates. None of the borrowings was in default at any time during the year.

Notes (continued)

12 Borrowings – Group and Company (continued)

Weighted average effective interest rates at the year end were:

	2007	2006
Short term borrowings		
– Kenya shillings	8.8%	9.8%
– United States dollars	6.2%	6.3%
Long term borrowings		
– Kenya shillings	11.1%	12.2%

Maturity of profile of non-current borrowings:	2007 Shs'000	2006 Shs'000
Between 1 and 2 years	74,500	68,000
Between 2 and 5 years	108,500	171,000
Over 5 years	-	6,000
	183,000	245,000

Borrowing facilities	2007 Shs'000	2006 Shs'000
The group has the following undrawn committed borrowing facilities:		
Floating rate	506,300	544,579

The facilities expiring within one year are annual facilities subject to review at various dates during the year 2008.

13 Deferred income tax

Deferred income tax is calculated using the enacted tax rate of 30% (2006: 30%). The movement on the deferred income tax account is as follows:

	Group		Company	
	2007 Shs'000	2006 Shs'000	2007 Shs'000	2006 Shs'000
At start of year	380,245	323,544	380,245	323,544
Transfer to subsidiary (Note 18)	-	-	(74,404)	-
Charge to profit and loss account	74,833	56,701	72,617	56,701
At end of year	455,078	380,245	378,458	380,245

Notes (continued)

13 Deferred income tax (continued)

The following amounts, determined after appropriate offsetting are shown in the balance sheet.

	Group 2007 Shs'000	Group 2006 Shs'000	Company 2007 Shs'000	Company 2006 Shs'000
Deferred income tax assets	537,001	501,604	453,452	501,604
Deferred income tax liabilities	(81,923)	(121,359)	(74,994)	(121,359)
At end of year	455,078	380,245	378,458	380,245

Consolidated deferred income tax assets and liabilities, and deferred income tax charge/(credit) in the profit and loss account are attributable to the following items:

	1.1.2007 Shs'000	Group Charged/ (credit) to P&L Shs'000	31.12.2007 Shs'000
Property, plant and equipment	159,206	(14,125)	145,081
Biological assets	341,668	49,283	390,951
Provisions	(17,162)	178	(16,984)
Tax losses carried forward	(90,024)	39,258	(50,766)
Capital development expenditure	(14,173)	-	(14,173)
Other temporary differences	730	239	969
Net deferred income tax liability	380,245	74,833	455,078

Company deferred income tax assets and liabilities, and deferred income tax charge/(credit) in the profit and loss account are attributable to the following items:

	1.1.2007 Shs'000	Company Transfer to subsidiary (Note 18) Shs'000	Charged/ (credit) to P&L Shs'000	31.12.2007 Shs'000
Property, plant and equipment	159,206	(14,271)	(14,624)	130,311
Biological assets	341,668	(60,133)	40,860	322,395
Provisions	(17,162)	-	7,107	(10,055)
Tax losses carried forward	(90,024)	-	39,258	(50,766)
Capital development expenditure	(14,173)	-	-	(14,173)
Other temporary differences	730	-	16	746
Net deferred income tax liability	380,245	(74,404)	72,617	378,458

Notes (continued)

14 Retirement benefit obligations

	Group		Company	
	2007	**2006**	**2007**	**2006**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
At start of year	40,137	47,318	40,137	47,318
Transfer to subsidiary (Note 18)	-	-	(17,802)	-
Charged to income statement (Note 7)	11,825	12,329	7,775	12,329
Utilised during the year	(5,855)	(19,510)	(2,850)	(19,510)
At end of year	46,107	40,137	27,260	40,137
Less: current portion	(6,342)	(4,933)	(2,923)	(4,933)
Non-current portion	39,765	35,204	24,337	35,204

Notes (continued)

15 Property, plant and equipment – (a) Group and Company

	Buildings, freehold land, dams and improvements Shs'000	Plant & machinery Shs'000	Motor vehicles, tractors, trailers and implements Shs'000	Furniture, fittings and equipment Shs'000	Capital work in progress Shs'000	Total Shs'000
Year ended 31 December 2006						
Cost						
At start of year	868,317	124,443	126,819	40,729	76,426	1,236,734
Additions	29,297	29,729	253	1,622	-	60,901
Disposals	(1,968)	(157)	(11,112)	(330)	-	(13,567)
Transfers	44,520	31,696	-	210	(76,426)	-
At end of year	940,166	185,711	115,960	42,231	-	1,284,068
Depreciation and impairment						
At start of year	383,259	88,551	110,996	34,394	-	617,200
Charge for the year	26,501	12,360	6,393	3,442	-	48,696
On disposals	(926)	(83)	(10,748)	(330)	-	(12,087)
At end of year	408,834	100,828	106,641	37,506	-	653,809
Net book amount	531,332	84,883	9,319	4,725	-	630,259
Depreciation and impairment at year end comprises:						
Depreciation	330,114	98,241	104,127	34,074	-	566,556
Impairment	78,722	2,587	2,512	3,432	-	87,253
	408,836	100,828	106,639	37,506	-	653,809

Notes (continued)

15 Property, plant and equipment – (b) Group

	Buildings, freehold land, dams and improvements Shs'000	Plant & machinery Shs'000	Motor vehicles, tractors, trailers and implements Shs'000	Furniture, fittings and equipment Shs'000	Capital work in progress Shs'000	Total Shs'000
Year ended 31 December 2007						
Cost						
At start of year	940,166	185,711	115,960	42,231	-	1,284,068
Additions	1,789	3,897	11,742	1,615	22,210	41,253
Disposals	(28,054)	(2,083)	(14,761)	(6,670)	-	(51,568)
At end of year	913,901	187,525	112,941	37,176	22,210	1,273,753
Depreciation and impairment						
At start of year	408,834	100,828	106,641	37,506	-	653,809
Re-classification	253	(83)	(320)	150	-	-
Charge for the year	25,574	11,427	6,318	2,608	-	45,927
On disposals	(22,400)	(2,083)	(14,092)	(6,665)	-	(45,240)
At end of year	412,261	110,089	98,547	33,599	-	654,496
Net book amount	501,640	77,436	14,394	3,577	22,210	619,257
Depreciation and impairment at year end comprises:						
Depreciation	334,671	109,500	98,547	33,224	-	575,942
Impairment	77,590	589	-	375	-	78,554
	412,261	110,089	98,547	33,599	-	654,496

Bank borrowings are secured on land, buildings and development to the value disclosed in Note 12.

Notes (continued)

15 Property, plant and equipment – (c) Company

	Buildings, freehold land, dams and improvements Shs'000	Plant & machinery Shs'000	Motor vehicles, tractors, trailers and implements Shs'000	Furniture, fittings and equipment Shs'000	Capital work in progress Shs'000	Total Shs'000
Year ended 31 December 2007						
Cost						
At start of year	940,166	185,711	115,960	42,231	-	1,284,068
Additions	1,789	3,897	11,742	1,434	21,863	40,725
Disposals	(28,054)	(2,083)	(14,761)	(6,670)	-	(51,568)
Transfer to subsidiary (Note 18)	(78,579)	(100,920)	(13,544)	(4,248)	(644)	(197,935)
At end of year	835,322	86,605	99,397	32,747	21,219	1,075,290
Depreciation and impairment						
At start of year	408,834	100,828	106,641	37,506	-	653,809
Charge for the year	25,010	10,143	6,030	2,400	-	43,583
On disposals	(22,400)	(2,083)	(14,092)	(6,665)	-	(45,240)
Transfer to subsidiary (Note 18)	(29,699)	(77,080)	(12,342)	(3,180)	-	(122,301)
At end of year	381,745	31,808	86,237	30,061	-	529,851
Net book amount	453,577	54,797	13,160	2,686	21,219	545,439
Depreciation and impairment at year end comprises:						
Depreciation	304,155	31,219	86,237	29,686	-	451,297
Impairment	77,590	589	-	375	-	78,554
	381,745	31,808	86,237	30,061	-	529,851

Notes (continued)

16 Biological assets

Changes in carrying amounts of biological assets comprise:

	Group			Company		
	Livestock Shs'000	Permanent plantings Shs'000	Total Shs'000	Livestock Shs'000	Permanent plantings Shs'000	Total Shs'000
Year ended 31 December 2006						
At start of year	86,174	1,019,863	1,106,037	86,174	1,019,863	1,106,037
Increase due to purchases and development	3,645	51,247	54,892	3,645	51,247	54,892
Gains arising from changes in fair value less estimated point-of sale costs	23,403	175,425	198,828	23,403	175,425	198,828
Decrease due to harvest and sales	(28,580)	(79,905)	(108,485)	(28,580)	(79,905)	(108,485)
At end of year	84,642	1,166,630	1,251,272	84,642	1,166,630	1,251,272
Year ended 31 December 2007						
At start of year	84,642	1,166,630	1,251,272	84,642	1,166,630	1,251,272
Transfer to subsidiary (Note 18)	-	-	-	-	(200,443)	(200,443)
Increase due to purchases and development	5,121	58,411	63,532	5,121	57,671	62,792
Gains arising from changes in fair value less estimated point-of-sale costs	30,831	133,203	164,034	30,831	123,045	153,876
Decrease due to harvest and sales	(32,907)	(49,344)	(82,251)	(32,907)	(44,518)	(77,425)
At end of year	87,687	1,308,900	1,396,587	87,687	1,102,385	1,190,072

Notes (continued)

16 Biological assets (continued)

Permanent plantings comprise tea, timber plantations, avocado, pineapple, macadamia and citrus. Permanent plantings and livestock are carried at fair value less estimated point-of-sale costs. Where meaningful market-determined prices do not exist to assess the fair value of biological assets, the fair values were determined based on the discounted net present values of expected net cash flows from those assets, discounted at a current market determined pre-tax rate. The discount rates used reflect the cost of capital, an assessment of country risk and the risks associated with individual crops. Discount rates used vary between 12.5% and 17.5% per annum (2006: between 12.5% and 17.5% per annum).

Where the fair value was determined based on the discounted net present values of expected net cash flows from the biological assets, the directors have made certain assumptions about expected life-span of the plantings, yields, market prices in future years and growing costs.

The fair value of livestock is determined based on market prices of livestock of similar age, breed and genetic merit.

	Group 2007	Company 2007	Group and Company 2006
	Hectares	**Hectares**	**Hectares**
Areas planted with the various crops at the year end			
Tea	959	469	959
Timber plantations	1,579	1,388	1,460
Avocado	339	339	328
Pineapple	376	376	695
Macadamia	98	98	-
Citrus	7	7	14
	Head	**Head**	**Head**
Cattle numbers on hand at the year end	4,217	4,217	4,333
	Metric tonnes	**Metric tonnes**	**Metric tonnes**
Output of agricultural produce during the year			
Tea (green leaf)	14,312	12,723	11,625
Avocado	4,558	4,558	3,482
Pineapple	51,055	51,055	50,314
Citrus	154	154	276
	Cubic metres	**Cubic metres**	**Cubic metres**
Timber harvested during the year was:	31,673	23,234	20,416

Notes (continued)

16 Biological assets (continued)

	Group 2007 Shs'000	Company 2007 Shs'000	Group and Company 2006 Shs'000
Fair value of the agricultural output after deducting estimated point-of-sale costs:			
Tea (green leaf)	273,882	242,482	211,181
Avocado	273,955	273,955	230,383
Pineapple	359,935	359,935	339,338
Others	153,526	153,526	87,685
	1,061,298	1,029,898	868,587

17 Prepaid operating lease rentals

	Group 2007 Shs'000	Group 2006 Shs'000	Company 2007 Shs'000	Company 2006 Shs'000
At start of year	8,145	8,155	8,145	8,155
Transfer to subsidiary (Note 18)	-	-	(3,702)	-
Amortization charge for the year	(10)	(10)	(9)	(10)
At end of year	8,135	8,145	4,434	8,145

18 Investment in subsidiaries (at cost)

The subsidiary companies are all incorporated in Kenya and have the same year end. Estates Services Limited and Kaguru (EPZ) Limited are wholly owned and are dormant. Siret Tea Company Limited is 86% (2006: 100%) owned and was dormant until 1 October 2007 when it acquired the business relating to Siret Tea Estate and Factory, from the parent company, Kakuzi Limited.

	Siret Tea Company Limited Shs'000	Kaguru (EPZ) Limited Shs'000	Estates Services Limited Shs'000	Total Shs'000
At start of year	6,491	1,670	2,625	10,786
Increase in investment	213,788	-	-	213,788
	220,279	1,670	2,625	224,574
Disposal of shares in subsidiary	(30,839)	-	-	(30,839)
At end of year	189,440	1,670	2,625	193,735

Notes (continued)

18 Investment in subsidiaries – (at cost) (continued)

(a) Transfer to subsidiary

The company acquired additional shares in Siret Tea Company Limited on 1 October 2007 in full consideration for the transfer of Siret Tea Estate and Factory and its associated business at a value of Shs 213,788,000.

	Shs'000
Property, plant and equipment (Note 15)	75,634
Biological assets (Note 16)	200,443
Prepaid operating lease rentals (Note 17)	3,702
Deferred income tax (Note 13)	(74,404)
Retirement benefit obligations (Note 14)	(17,802)
Working capital	26,215
	213,788

(b) Sale of shares in Siret Tea Company Limited

During the year, the company entered into a framework agreement with EPK Outgrowers Empowerment Project Company Limited for the eventual sale of Siret Tea Estate and Factory and its associated business. Under the terms of the agreement, Siret Tea Estate and Factory and its associated business have been transferred to Siret Tea Company Limited to facilitate the sale of business to EPK Outgrowers Empowerment Project Company Limited. The sale of shares in Siret Tea Company Limited to EPK Outgrowers Empowerment Project Company Limited will be spread over a period of seven years. On 1 October 2007 EPK Outgrowers Empowerment Project Company Limited acquired 14% shareholding in Siret Tea Company Limited for a cash consideration of Shs 53,900,000.

(c) Minority interest acquisition - Group

Minority interest acquisition amounting to Shs 31,050,000 has been accounted for in the consolidated statement of changes in equity.

(d) Profit on sale of shares in subsidiary – Group and Company

The profit on sale of shares in subsidiary has been credited to income statement as follows:

	Group Shs'000	Company Shs'000
Sale proceeds	53,900	53,900
Related cost of investment	(31,050)	(30,839)
Profit on sale of shares in subsidiary	22,850	23,061

Notes (continued)

19 Inventories

	Group 2007 Shs'000	Group 2006 Shs'000	Company 2007 Shs'000	Company 2006 Shs'000
Made tea	39,745	48,606	-	48,606
Consumables	38,988	24,837	33,616	24,837
	78,733	73,443	33,616	73,443

20 Receivables and prepayments

	Group 2007 Shs'000	Group 2006 Shs'000	Company 2007 Shs'000	Company 2006 Shs'000
Trade receivables	96,898	175,350	56,631	175,350
Amounts due from related companies (Note 27)	2,600	-	-	-
Loans to key management personnel (Note 27)	400	841	400	841
Value Added Tax (VAT)	86,175	62,072	82,688	62,072
Other receivables	25,059	29,091	19,478	29,091
	211,132	267,354	159,197	267,354
Less non-current portion	(12,428)	(12,450)	(10,324)	(12,450)
	198,704	**254,904**	148,873	**254,904**
Non-current receivables comprise				
Loans to key management personnel	160	400	160	400
Other receivables	12,268	12,050	10,164	12,050
	12,428	12,450	10,324	12,450

All non-current receivables are due within five years from the balance sheet date and are secured and interest free. None of the amounts were impaired (2006: Nil).

Notes (continued)

21 Payables and accrued expenses

	Group		Company	
	2007	2006	**2007**	2006
	Shs'000	Shs'000	**Shs'000**	Shs'000
Trade payables	113,421	99,577	107,343	99,577
Amounts due to related companies (Note 27)	24,392	17,015	26,364	33,398
Accrued expenses	45,021	39,191	23,636	39,191
Interest payable	1,263	841	1,263	841
Other payables	23,138	26,482	5,316	26,482
	207,235	183,106	163,922	199,489

22 Cash and cash equivalents

Bank overdrafts are shown within borrowings in current liabilities on the balance sheet. For the purposes of the cash flow statement, cash and cash equivalents comprise the following:

	Group		Company	
	2007	2006	**2007**	2006
	Shs'000	Shs'000	**Shs'000**	Shs'000
Cash at bank and in hand	26,043	31,630	20,321	31,630
Bank overdrafts (Note 12)	(137,945)	(354,110)	(137,945)	(354,110)
	(111,902)	(322,480)	(117,624)	(322,480)

23 Joint venture for pineapple – Group and Company

The company has a joint venture arrangement with Del Monte Kenya Limited for the growing of pineapples. The company received notice from Del Monte Kenya Limited in terms of the existing joint venture agreements and these arrangements will cease in 2008. The company has entered into a new joint project arrangement with Del Monte Kenya Limited. At 31 December 2007, 528 hectares (2006: 647 hectares) of company land is developed under joint venture and project pineapple. The pineapples are processed and sold by Del Monte Kenya Limited who act as the operator/manager of the joint venture.

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

	Pineapples	
	2007	2006
	Shs'000	Shs'000
Revenue	366,146	395,485
Expenses	(424,509)	(418,193)
Net loss	(58,363)	(22,708)

Notes (continued)

23 Joint venture for pineapple – Group and Company (continued)

The amounts due from and due to Del Monte Kenya Limited and at the year-end in respect of transactions arising in the ordinary course of business, which are included in trade receivables (Note 20) and trade payables (Note 21) respectively are: -

	2007 Shs'000	2006 Shs'000
Due from Del Monte Kenya Limited	16,942	113,347
Due to Del Monte Kenya Limited	75,643	80,627

At 31 December 2007, the group had no capital commitments or contingent liabilities (2006: Nil) in respect of the joint venture.

24 Contingent liabilities – Group and Company

The group is a defendant in various legal proceedings filed against it by third parties. In addition, there are some pending tax matters with the Kenya Revenue Authority. Based on the information currently available, the directors believe that the outcome of these matters will not have a material effect on the financial position or profits of the group. Therefore, no provisions have been made.

25 Commitments

i) Capital commitments

Capital expenditure contracted for at the balance sheet date but not recognised in the financial statements is as follows:

	Group		Company	
	2007 Shs'000	2006 Shs'000	2007 Shs'000	2006 Shs'000
Property, plant and equipment	25,053	1,550	24,687	1,550
Biological assets	6,494	6,494	6,494	6,494
	31,547	8,044	31,181	8,044

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Notes (continued)

25 Commitments (continued)

ii) Operating lease commitments

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

	Group		Company	
	2007 Shs'000	2006 Shs'000	2007 Shs'000	2006 Shs'000
Not later than 1 year	10	10	4	10
Later than 1 year and not later than 5 years	36	36	16	36
Later than 5 years	8,089	8,099	4,414	8,099
	8,135	8,145	4,434	8,145

26 Cash generated from operations – Group

Reconciliation of profit before income tax to cash generated from operations:

	2007 Shs'000	2006 Shs'000
Profit before income tax	270,330	189,752
Adjustments for:		
Interest expense (Note 8)	52,376	65,118
Depreciation (Note 15)	45,927	48,696
Amortisation of prepaid operating lease rentals (Note 17)	10	10
Loss/(profit) on sale of property, plant and equipment	5,013	(18)
Profit on sale of investment in subsidiary (Note 18)	(22,850)	-
Gains arising from changes in fair value less estimated point-of-sale costs of biological assets (Note 16)	(164,034)	(198,828)
Decrease in the fair value of biological assets due to sales and harvest and disposal (Note 16)	82,251	108,485
Changes in working capital		
– inventories	(5,290)	7,822
– receivables and prepayments	56,222	(76,899)
– payables and accrued expenses	23,707	13,748
– retirement benefit obligations	5,970	(7,181)
Cash generated from operations	349,632	150,705

Notes (continued)

27 Related party transactions

The group is controlled by Camellia Plc, incorporated in England. Camellia Plc is the ultimate parent of the group. There are other companies that are related to Kakuzi Limited through common shareholdings or common directorships. Fellow subsidiaries within the Camellia Plc group act as brokers and managing agents for certain products of the company.

The following transactions were carried out with related parties:

	Group		Company	
	2007 Shs'000	2006 Shs'000	2007 Shs'000	2006 Shs'000
i) Sale of goods to:				
Eastern Produce Kenya Limited	721	8,324	3,621	8,324
Siret Tea Company Limited	-	-	25,999	-
	721	8,324	29,620	8,324
ii) Purchase of goods and services from:				
Linton Park Plc	33,410	32,298	33,410	32,298
Robert Bois Dickson Anderson Limited	12,815	17,587	12,815	17,587
Eastern Produce Kenya Limited	59,634	71,722	51,165	71,722
	105,859	121,607	97,390	121,607
iii) Key management compensation				
Salaries and other short-term employment benefits	28,777	33,317	28,777	33,317
Post-employment benefits	246	211	246	211
	29,023	33,528	29,023	33,528
iv) Directors' remuneration				
Fees for services as e director	400	500	400	500
Other emoluments (included in key management compensation above)	13,578	14,564	13,578	14,564
	13,978	15,064	13,978	15,064

Notes (continued)

27 Related party transactions (continued)

v) Outstanding balances arising from sale and purchase of goods and services

	Group 2007 Shs'000	Group 2006 Shs'000	Company 2007 Shs'000	Company 2006 Shs'000
Due from related companies				
Robert Bois Dickson Anderson Limited	2,600	-	-	-
Due to related companies				
Eastern Produce Kenya Limited	16,430	5,469	5,783	5,469
Estate Services Limited	-	-	2,570	2,570
Siret Tea Company Limited	-	-	4,236	8,000
Kaguru (EPZ) Limited	-	-	5,813	5,813
Linton Park Plc	7,908	10,421	7,908	10,421
Robert Bois Dickson Anderson Limited	-	1,125	-	1,125
Eastern Produce Estates South Africa (Pty) Limited	54	-	54	-
	24,392	17,015	26,364	33,398

vi) Loans to related parties – Group and Company	Directors Shs'000	Other key management Shs'000	Total Shs'000
Year ended 31 December 2006			
At start of year	405	1,030	1,435
Loan repayments during the year	(204)	(390)	(594)
At end of year	201	640	841
Year ended 31 December 2007			
At start of year	201	640	841
Loan repayments during the year	(201)	(240)	(441)
At end of year	-	400	400

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Five year record

	2007 Shs'000	2006 Shs'000	2005 Shs'000	2004 Shs'000	2003 Shs'000
Turnover	1,512,118	1,399,194	1,110,348	1,424,503	1,435,388
Profit/(loss) before income tax and impairment	270,330	189,752	(96,852)	92,996	36,389
Impairment charge on property, plant and equipment	-	-	(15,230)	-	(56,059)
Profit/(loss) before income tax	270,330	189,752	(112,082)	92,996	(19,670)
Income tax (expense)/credit	(78,733)	(56,701)	38,315	(9,263)	7,875
Profit/(loss) after income tax	191,597	133,051	(73,767)	83,733	(11,795)
Minority interest	(1,954)	-	-	-	-
Profit/(loss) attributable to the members of Kakuzi Limited	189,643	133,051	(73,767)	83,733	(11,795)
Dividends: -					
Interim dividend – paid in the year	-	-	-	-	-
Proposed final dividend – for the year	-	-	-	19,600	-
	-	-	-	19,600	-
Capital and reserves: -					
Called up share capital	98,000	98,000	98,000	98,000	98,000
Reserves	1,167,916	945,269	812,218	912,712	909,295
Total equity	1,265,916	1,043,269	910,218	1,010,712	1,007,295
Basic earnings/(loss) per stock unit (Shs)	9.68	6.79	(3.76)	4.27	(0.60)
Dividends per stock unit (Shs)	-	-	-	1.00	-
Dividend cover	-	-	-	4.27	-
Total equity per stock unit (Shs)	64.59	53.23	46.44	51.57	51.40

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

MAJOR STOCKHOLDERS

The 10 major stockholders and their holdings as at 31 December 2007 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.	John Kibunga Kimani	983,085	5.01
4.	Barclays (Kenya) Nominees Limited A/c 9230	627,912	3.20
5.	Baloobhai Chhotabhai Patel	620,100	3.01
6.	Bawan Limited	375,069	1.91
7.	Joseph Barrage Wanjui	315,334	1.60
8.	G H Kluge & Sons Limited	239,118	1.22
9.	Henry Richard Moszkowicz	205,912	1.05
10.	HBSC Global Custody Nominee Ltd	200,000	1.02

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

DISTRIBUTION SCHEDULE

The distribution of stock units as at 31 December 2007 was:

Stock units range	Number of stockholders	Number of stock units	%
Less than 500	680	155,608	0.79
501 to 5,000	720	1,358,261	6.93
5,001 to 10,000	90	711,799	3.64
10,001 to 100,000	104	2,736,905	13.96
100,001 to 1,000,000	18	4,700,792	23.98
Over 1,000,000	2	9,936,634	50.70
	1,614	19,599,999	100.00

Kakuzi Limited

Form of Proxy (Annual General Meeting)

I/We

....

of..being a member/members

of Kakuzi Limited, do hereby appoint ....,

or failing him/her, the duly appointed Chairman of the meeting to be my/our proxy, to vote for

me/us at the Annual General Meeting of the Company to be held at the Tinga Tinga Room, The

Norfolk Hotel, Nairobi, Kenya on 22 May 2008 at 12.00 noon and at any adjoumment thereof.

As witness my/our hand(s) this........................... day of 2008

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.

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

FOLD 1

Kakuzi Limited
P.O. Box 24
Thika 01000
Kenya

FOLD 3

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