KAKUZI LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

Table of Contents

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. K R Shah	
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

STOCK UNITS

The company's stock units are listed on the Nairobi stock exchange and the London stock exchange.

REGISTRARS

Custody & Registrars Services Limited
Bruce House, 6th Floor
Standard Street
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 Stanbic Bank
P O Box 30550
00100 NAIROBI

SUBSIDIARY COMPANIES

Estates Services Limited
Siret Tea Company Limited
Kaguru EPZ Limited

NOTICE is hereby given that the Eighty First Annual General Meeting of the members of the Company will be held in the Tinga Tinga Room, Norfolk Hotel, Nairobi on Tuesday, 19 May 2009 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 Eightieth Annual General Meeting held on 22 May 2008.

4. To receive, consider and adopt the financial statements for the year ended 31 December 2008 together with the reports of the Chairman, Directors and of the Independent Auditors thereon.

5. To declare a first and final dividend of 20% equivalent to Ksh 1.00 per stock unit for the financial year ended 31 December 2008.

6. To elect Directors: -

   a) In accordance with Article 86 of the Company's Articles of Association, Mr K W Tarplee retires by rotation and, being eligible, offers himself for re-election.

   b) Mr Nicholas Nganga and Mr Richard Kemoli, who have each attained the age of over 70 years, retire at this meeting and, subject to Section 186 of the Companies Act (Cap 486), Special Notice is hereby given that notices have been received in accordance with Sections 142 and 186 (5) of the Companies Act that it is intended to pass the following resolutions as ordinary resolutions;

   (i) "That Mr Nicholas Nganga, who has attained the age of 70 years be and is hereby re-elected a director of the Company"

   (ii) "That Mr Richard Kemoli who has attained the age of over 70 years be and is hereby re-elected a director of the Company"

7. To approve the Directors' remuneration for the year ended 31 December 2008 as shown in the financial statements.

8. To note that 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
SECRETARY

5 March 2009

Note:

1. 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.

2008 proved to be a very difficult year in which to operate, in the world in general and in Kenya in particular. In spite of this, Kakuzi Limited produced very satisfactory results. Overall the Kakuzi profit before tax in 2008 amounted to Sh 390 million compared to Sh 270 million in 2007. This profit figure for 2008 included a gain of Sh 181 million arising from changes in the value of biological assets, as compared to the corresponding figure of Sh 164 million in 2007. After income tax expense of Sh 107 million and minority interest of Sh 26 million, the net profit attributable to the members of Kakuzi Limited for 2008 was Sh 257 million or Sh 13.12 per stock unit.

TEA

ESTATE PRODUCTION IN 2008 – 2.9 MILLION KG OF MADE TEA FROM 959 HA (2007 – 3.3 MILLION KG FROM 959 HA).
FACTORY PRODUCTION IN 2008 – 3.6 MILLION KG OF MADE TEA (2007 – 4.0 MILLION KG)

During the year the EPK Outgrowers Empowerment Project Company Limited purchased a further 10% of Siret Tea Company Limited for Sh 38.5 million, bringing their shareholding to 24% of the company. This sale generated a profit for Kakuzi of Sh 16.3 million.

The year started badly due to an extended drought and civil unrest. However tea production at our Siret and Kaboswa estates over the whole of 2008 was in line with expectations although somewhat below 2007 levels. Selling prices for our teas held up well throughout the year and averaged just below US$2.00 net per kg.

AVOCADO

PRODUCTION IN 2008 – 5,465 TONNES OF WHICH 4,296 TONNES EXPORTED
(PRODUCTION IN 2007 – 3,578 TONNES OF WHICH 2,642 TONNES EXPORTED)

Our avocado operations were once again profitable in 2008. Volumes of Hass avocados produced on our own Kakuzi estates were greater than expected and we eventually exported 195 forty-foot containers of Hass to Europe. In addition we exported a further 22 containers of greenskin Fuerte avocados purchased from outgrowers and we packed another 10 containers for other exporters. Overall Kakuzi exported 47.5% of all avocado containers shipped from Kenya during the year.

The quality of the avocados grown at Kakuzi was good, but disruptions at Mombasa port resulted in extended transit times. As a result some of our fruit was of sub-standard quality when eventually landed in Europe. Furthermore market prices in Europe were adversely affected by unusually large arrivals of fruit from Peru, South Africa and Chile in the latter half of our season. However our Kenya shilling returns were improved by the weakening of the local currency in relation to the euro. Due to the transit problems we encountered during 2008, we have lodged insurance claims relating to 24 affected containers. Any resulting proceeds will be taken to our 2009 accounts.

During 2008 we planted just over 29 hectares of new avocados, giving a planted area of 367 hectares by year end.

OTHER HORTICULTURE

Our fresh pineapple operation continued to perform well throughout 2008 in terms of both sales volumes and prices. All remaining citrus trees were however removed during the year. Our macadamia development continued during 2008, and by year end we had planted 258 hectares along the Kakuzi Hills.

The final field in our canned pineapple joint venture with Del Monte Kenya Limited was harvested during 2008. A new Joint Project Agreement was signed with them to cover 970 hectares of pineapple of which 765 hectares had been planted by the end of the year. We expect the remaining 205 hectares to be planted during the first half of 2009.

LIVESTOCK

CATTLE SALES IN 2008 – 813 HEAD PLUS 262 STORE CATTLE. (2007 – 840 HEAD PLUS 198 STORE CATTLE)
CATTLE HERD AT END 2008 – 3,802 HEAD PLUS 604 STORE CATTLE. (2007 – 3,749 HEAD PLUS 468 STORE CATTLE)

The dry conditions experienced at Makuyu during 2008 did not adversely affect our livestock operation which again generated a small but acceptable profit. By the year end the herd stood at 4,406 head.

FORESTRY

In 2008 our forestry operations essentially broke even as we did not benefit from any large pole contracts such as the Kenya Power and Lighting Limited tender which we won in 2007. However sales of timber, wooden pallets and treated poles for fence posts were up to expectations. During the year we planted an additional 35 hectares of eucalyptus.

DIVIDEND

In view of Kakuzi Limited's very satisfactory performance in 2008, the Board recommends the payment of a dividend for the 2008 year of 20% equivalent to Sh 1.00 per stock unit, notwithstanding the fact that the directors still recognise the importance of reducing the company's borrowings.

FUTURE DEVELOPMENTS AND PROSPECTS

During 2009 we plan to plant a further 32 hectares of avocados, 100 hectares of macadamias and 30 hectares of forestry. As mentioned above, a further 205 hectares of pineapple will be planted under our new Joint Project Agreement with Del Monte Kenya Limited during the first half of 2009, and we expect a further 137 hectares to be planted by them later in the year. We are considering the feasibility of constructing an avocado oil extraction and processing plant at Makuyu.

We continue to be optimistic as to the prospects for our avocado sales in Europe. Production of Hass from our own orchards will be reduced in 2009 due to the biennial bearing effect, but we expect to increase exports of outgrower Fuerte. The European avocado market may be expected to be well-supplied this year, and it is currently unclear as to how the demand for avocados will be influenced by the general global economic downturn. We have started exporting outgrower Fuerte earlier than in previous years and we are already seeing attractive returns.

We expect tea production volumes at our Siret and Kaboswa estates in 2009 to be similar to last year's figures. Prices to date this year are somewhat down in US dollar terms in relation to 2008. Labour costs have increased significantly following the biennial wage negotiation concluded in late 2008.

DR T R FOWKES
C H A I R M A N
5 MARCH 2009

The directors submit their report together with the audited financial statements for the year ended 31 December 2008, 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
- Growing of pineapples and other horticultural crops
- Forestry development

RESULTS AND DIVIDEND

The net profit for the year of Shs 282,918,000 has been added to retained earnings. During the year no interim dividend (2007: Shs Nil) was paid. The directors recommend the approval of a first and final dividend of 20% equivalent to Shs 1.00 per stock unit (2007: Shs Nil).

ANNUAL GENERAL MEETING

The Eighty First Annual General Meeting of the company will be held in the Tinga Tinga Room, The Norfolk Hotel, Nairobi, on 19 May 2009 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.

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

	At 31 December 2008		**At 31 December 2007**	
	Beneficial Stock units	**Non-beneficial Stock units**	**Beneficial Stock units**	**Non-beneficial Stock units**
Dr. T R Fowkes	-	300	-	300
Mr. R Kemoli	500	-	-	-
Mr. N Nganga	1,000	-	1,000	-
Mr. K W Tarplee	-	75	-	75
Mr. G H Mclean	100	-	100	-
Mr. K R Shah	200	-	200	-

In accordance with Article 86 of the Company's Articles of Association, Mr K W Tarplee retires by rotation and, being eligible, offers himself for re-election.

Mr N Nganga and Mr R Kemoli having attained the age of over 70 years each retire in accordance with Section 186(2) of the Companies Act and seek re-election under the provisions of Section 186(5) of the said Act.

AUDITOR

The company's auditor, PricewaterhouseCoopers has expressed willingness to continue in office in accordance with Section 159(2) of the Kenya Companies Act.

By order of the Board

Mr. G H Mclean
Managing Director

5 March 2009

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**
5 March 2009	5 March 2009

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**
5 March 2009	5 March 2009

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 50. These financial statements comprise the consolidated balance sheet at 31 December 2008 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 2008 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 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 2008 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 5 March 2009

Consolidated profit and loss account

	Notes	Year ended 31 December 2008 Shs'000	2007 Shs'000
Sales		1,620,319	1,512,118
Gains arising from changes in fair value less estimated point-of-sale costs of biological assets	17	181,439	164,034
		1,801,758	1,676,152
Cost of production		(1,016,526)	(1,082,393)
Gross profit		785,232	593,759
Other income	6	22,030	11,139
Distribution costs		(270,408)	(196,684)
Administrative expenses		(111,587)	(110,520)
Finance costs	7	(51,399)	(50,214)
Profit on sale of shares in subsidiary	19(e)	16,321	22,850
Profit before income tax		390,189	270,330
Income tax expense	10	(107,271)	(78,733)
Profit for the year (of which Shs 180,671,000 has been dealt with in the accounts of the company)		282,918	191,597
Attributable to:			
Equity holders of the company		257,188	189,643
Minority interest		25,730	1,954
Earnings per share attributable to equity holders of the company:		**Shs**	**Shs**
Basic and diluted earnings per stock unit	11	13.12	9.68
Dividends:		**Shs'000**	**Shs'000**
Interim dividends - paid in the year	11	-	-
Proposed final dividend for the year	11	19,600	-
		19,600	-

Consolidated and company balance sheets

	Notes	Group 31 December 2008 Shs'000	Group 31 December 2007 Shs'000	Company 31 December 2008 Shs'000	Company 31 December 2007 Shs'000
CAPITAL AND RESERVES ATTRIBUTABLE TO COMPANY'S EQUITY HOLDERS					
Share capital	12	98,000	98,000	98,000	98,000
Retained earnings		1,369,690	1,134,912	1,278,541	1,117,470
Proposed dividend	11	19,600	-	19,600	-
Attributable to company's equity holders		1,487,290	1,232,912	1,396,141	1,215,470
Minority interest		80,343	33,004		
Total equity		1,567,633	1,265,916	1,396,141	1,215,470
Non-current liabilities					
Borrowings	13	109,000	183,000	109,000	183,000
Deferred income tax	14	527,208	455,078	435,987	378,458
Retirement benefit obligations	15	49,789	39,765	29,533	24,337
		685,997	677,843	574,520	585,795
		2,253,630	1,943,759	1,970,661	1,801,265
REPRESENTED BY					
Non-current assets					
Property, plant and equipment	16	633,494	619,257	560,969	545,439
Biological assets	17	1,564,662	1,396,587	1,301,662	1,190,072
Prepaid operating lease rentals	18	8,126	8,135	4,429	4,434
Investment in subsidiaries	19	-	-	171,707	193,735
Non-current receivables	21	16,876	12,428	14,739	10,324
		2,223,158	2,036,407	2,053,506	1,944,004
Current assets					
Inventories	20	116,578	78,733	34,103	33,616
Receivables and prepayments	21	230,988	198,704	154,657	148,873
Current income tax recoverable		33,869	33,794	33,816	33,741
Cash and cash equivalents	23	57,926	26,043	6,901	20,321
		439,361	337,274	229,477	236,551
Current liabilities					
Payables and accrued expenses	22	172,765	207,235	110,492	163,922
Current income tax payable		30,636	3,900	-	-
Borrowings	13	198,032	212,445	198,032	212,445
Retirement benefit obligations	15	7,456	6,342	3,798	2,923
		408,889	429,922	312,322	379,290
Net current assets/(liabilities)		30,472	(92,648)	(82,845)	(142,739)
		2,253,630	1,943,759	1,970,661	1,801,265

The financial statements on pages 12 to 50 were approved for issue by the board of directors on 5 March 2009 and signed on its behalf by:

Mr. G H Mclean

Mr. K R Shah

Consolidated statement of changes in equity

	Attributable to company's equity holders					
	Share capital Shs'000	Retained earnings Shs'000	Proposed Dividend Shs'000	Total Shs'000	Minority Interests Shs'000	Total Equity Shs'000
Year ended 31 December 2007						
At start of year	98,000	945,269	-	1,043,269	-	1,043,269
Part disposal of a subsidiary (Note 19(e))	-	-	-	-	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
Year ended 31 December 2008						
At start of year	98,000	1,134,912	-	1,232,912	33,004	1,265,916
Dividend paid to minority interests	-	-		-	(3,380)	(3,380)
Part disposal of a subsidiary (Note 19(e))	-	-	-	-	22,179	22,179
Change in composition of Group	-	(2,810)	-	(2,810)	2,810	-
Profit for the year	-	257,188	-	257,188	25,730	282,918
Dividends:						
- proposed final for 2008		(19,600)	19,600	-	-	-
At end of year	98,000	1,369,690	19,600	1,487,290	80,343	1,567,633

Company statement of changes in equity

	Share capital Shs'000	Retained earnings Shs'000	Proposed Dividend Shs'000	Total Equity Shs'000
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
Year ended 31 December 2008				
At start of year	98,000	1,117,470	-	1,215,470
Profit for the year	-	180,671	-	180,671
Dividends:-				
- proposed final for 2008	-	(19,600)	19,600	-
At end of year	98,000	1,278,541	19,600	1,396,141

Consolidated cash flow statement

	Notes	Year ended 31 December 2008 Shs'000	2007 Shs'000
Operating activities			
Cash generated from operations	27	279,581	349,632
Interest paid		(45,530)	(51,954)
Income tax paid		(8,480)	(30)
Net cash from operating activities		225,571	297,648
Investing activities			
Purchase of property, plant and equipment	16	(62,100)	(41,253)
Purchase of biological assets and development	17	(84,187)	(63,532)
Proceeds from disposal of property, plant and equipment		5,892	1,315
Proceeds from sale of shares in subsidiary	19(e)	38,500	53,900
Dividend paid to minority interest		(3,380)	-
Net cash used in investing activities		(105,275)	(49,570)
Financing activities			
Payments on long-term borrowings		(62,000)	(37,500)
Net cash used in financing activities		(62,000)	(37,500)
Increase in cash and cash equivalents		58,296	210,578
Movement in cash and cash equivalents			
At start of year		(111,902)	(322,480)
Increase		58,296	210,578
At end of year	23	(53,606)	(111,902)

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 registered office is:

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

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 3.

Interpretations effective in 2008

In 2008 the following new interpretations became effective for the first time and have been adopted by the company where relevant to its operations. Where necessary, comparative figures have been changed to conform with the presentation in the current year.

- IFRIC 11 – IFRS 2 - Group and treasury share transactions. Does not have any impact on the Group financial statements.
- IFRIC 12 – Service Concession Arrangements. Does not have any impact on the Group financial statements.
- IFRIC 14 – IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction.
- IAS 39 and IFRS 7 – Reclassification of financial assets.

Notes (continued)

2 Summary of significant accounting policies (continued)

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

One new standard (IFRS 8 – Operating Segments) and numerous amendments to existing standards and new interpretations have been published and will be effective for the company's accounting periods beginning on or after 1 January 2009 but the company has not early adopted any of them.

The Directors have assessed the relevance of the new standard and interpretations, and amendments to existing standards with respect to the Group's operations and concluded that they are not relevant to the Group, other than IFRS 8, which will result in changes to the reportable segments and the amendments to IAS 1 – Presentation of Financial Statements, which will require non-owner changes in equity to be presented in a 'Comprehensive Statement of Income'.

(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) Revenue recognition

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.

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 as the best estimate on the basis of the information available.

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.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit and loss account within 'finance cost'. All other foreign exchange gains and losses are presented in the profit and loss account within 'other income'.

(f) Property, plant and equipment

All categories of property, plant and equipment are initially recorded at historical cost and subsequently stated at cost less depreciation.

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 avocado is determined based on the net present values of expected future cash flow, discounted at current market-determined pre-tax rates. The discount rate used reflect the cost of capital, an assessment of country risk, and the risk associated with avocado. The fair value of other biological assets is based on market prices as valued by an external independent valuer.

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) Payables

Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(l) 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.

(m) 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 using the projected unit method by the directors. The obligation relating to employees who have reached the minimum retirement age and completed the required years of service and are still in employment are classified as payable within the next twelve months.

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.

(n) 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.

Notes (continued)

2 Summary of significant accounting policies (continued)

(n) Income tax (continued)

Deferred income tax is recognised, 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, the deferred income tax is not accounted for if it 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. 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.

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.

(o) 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.

(p) 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.

(q) Share Capital

Stock units are classified as equity.

3 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

(i) Biological assets

Critical assumptions are made by the directors in determining the fair values of biological assets. The key assumptions are set out in Note 17.

(ii) Post employment benefit obligations

Critical assumptions are made by the directors in determining the present value of the retirement benefit obligations. The carrying amount of the provision and the key assumptions made in estimating the provision are set out in Note 15.

Notes (continued)

3 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 company's current liabilities exceed its current assets by Shs 83 million at the balance sheet date (2007 – Shs 143 million). The financial statements have been prepared on a going concern basis, which assumes continued availability of the company's banking facilities to meet its obligations as they fall due. The facilities expire during 2009. 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.

4 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 and 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 2008, if the Shilling was weaker/stronger by 5% against the US dollar with all other variables held constant, the consolidated post tax profit would have been Shs 2,835,000 higher/lower mainly as a result of US dollar trade receivables (2007: Shs 1,964,000 mainly as a result of US dollar denominated bank borrowings).

At 31 December 2008 if the Shilling was weaker/stronger by 5% against the Euro with all other variables held constant, the consolidated post tax profit would have been Shs 149,000 higher/lower (2007: Shs 1,068,000) 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)

4 Financial risk management objectives and policies (continued)

(iii) Cash flow interest rate risk

The Group has borrowings and bank overdrafts [illegible] which exposes the Group to cash flow interest rate risk. The [illegible] available to ensure optimum interest rates are obtained. [illegible] 2008 an increase/decrease of 5% would have resulted in [illegible] consolidated post tax profit of Shs 1,629,000 (2007: Shs 3,499,000).

Credit risk

Credit risk arises from 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 and company's maximum exposure to credit risk at 31 December 2008 is made up as follows:

	Group		Company	
	2008	**2007**	2008	**2007**
	Shs'000	**Shs'000**	Shs'000	**Shs'000**
Cash at bank	54,783	25,515	3,773	19,849
Trade receivables	115,638	96,898	67,049	56,631
Receivables from related companies	12,861	2,600	4,104	
Loans to key management personnel	160	400	160	400
Other receivables	[illegible]	19,425	19,947	15,181
	[illegible]	144,838	95,033	92,061

No collateral is held for any of the above assets. The company [illegible] credit quality of receivables. All receivables that [illegible] their approved credit limits, and [illegible] have had no [illegible].

[illegible]

Notes (continued)

4 Financial [illegible] objectives and policies (continued)

Credit risk [illegible]

	Group		Company	
	2008	2007	2008	2007
	Shs'000	Shs'000	Shs'000	Shs'000
Past [illegible]				
by [illegible]	[illegible]	6,451	6,083	6,451
by [illegible]	[illegible]	1,331	2,822	1,331
by [illegible]	[illegible]	1,872	1,110	1,872
over [illegible]	[illegible]	64,807	[illegible]	64,807
[illegible]	[illegible]	74,461	[illegible]	74,461
Impa[illegible]		-	-	-

Liquid[illegible]

Prude[illegible] maintaining sufficient [illegible] balances, and [illegible] availa[illegible] committed credit facilities. Due to the dynam[illegible] department maintains flexibility in funding [illegible] lines.

Mana[illegible] on the basis of expe[illegible]

The [illegible] group's and company's financial [illegible] that will be settled [illegible] maturity groupings based on the [illegible] period at the [illegible] date [illegible] maturity date. The amounts [illegible] in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal [illegible] as the impact of discounting is not significant.

Group

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
		Shs'000	Shs'000	Shs'000
At 31 December 2008				
- Bank borrowings	227,645	[illegible]	70,704	-
- Trade and other payables	[illegible]	-	-	-
At 31 December 2007:				
- Bank borrowings	250,010	79,435	140,104	-
- Trade and other payables	207,235	-	-	-

Notes (continued)

4 Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Company

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
		Shs'000	Shs'000	Shs'000
At 31 December 2008:				
- Bank borrowings	236,973	59,771	70,704	-
- Trade and other payables	110,492	-	-	-
At 31 December 2007:				
- Bank borrowings	250,010	79,435	140,104	-
- Trade and other payables	163,922	-	-	-

Capital management

The group's objectives when managing capital are to safeguard the group'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 group may limit the amount of dividends paid to shareholders.

The group 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 group's target is to further reduce the gearing ratio. The gearing ratios at 31 December 2008 and 31 December 2007 were as follows:

	Group		Company	
	2008	2007	2008	2007
	Shs'000	Shs'000	Shs'000	Shs'000
Total borrowings	307,032	395,445	307,032	395,445
Less: cash and cash equivalents	(57,926)	(26,043)	(6,901)	(20,321)
Net debt	249,106	369,402	300,131	375,124
Total equity	1,567,633	1,265,916	1,396,141	1,215,470
Total capital	1,816,739	1,635,318	1,696,272	1,590,594
Gearing ratio	13.7%	22.6%	17.7%	23.6%

Notes (continued)

5 Segmental reporting

The directors consider the group comprises 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 Other Income - Group

	2008 Shs'000	2007 Shs'000
Interest income	292	195
Net foreign exchange gain/(loss), other than on borrowings	5,408	(1,486)
Gain/(loss) on disposal of property, plant and equipment	4,855	(5,013)
Rental Income	4,720	4,227
Sundry	6,755	13,216
	22,030	11,139

7 Finance costs – Group

	2008 Shs'000	2007 Shs'000
Interest expense:		
- Bank borrowings and overdrafts	46,711	48,062
- Related party short-term loans	-	4,314
Net foreign exchange losses/(gains) on borrowings	4,688	(2,162)
Net finance costs	51,399	50,214

8 Expenses by Nature - Group

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

	2008 Shs'000	2007 Shs'000
Depreciation on property, plant and equipment (Note 16)	46,826	45,927
Repairs and maintenance expenditure on property, plant and equipment	26,174	19,945
(Profit)/loss on disposal of property, plant and equipment	(4,855)	5,013
Profit on sale of shares in subsidiary (Note 19(e))	16,321	22,850
Amortisation of prepaid operating lease rentals (Note 18)	9	10
Gain arising from changes in fair value less estimated point-of-sale costs of biological assets (Note 17)	(181,439)	(164,034)
Inventories expensed	806,985	676,216
Employee benefits expense (Note 9)	317,342	284,674
Auditors' remuneration	3,897	3,874

Notes (continued)

9 [illegible] benefits expense – Group

[illegible] expense:

	2008 Shs'000	2007 Shs'000
Salaries and wages	294,865	265,011
Post-employment benefits costs:		
Defined benefit obligation (Note 1[illegible])	14,179	11,825
Defined contribution scheme	2,056	1,841
[illegible] Social Security Fund	5,412	5,997
	[illegible]	284,674

10 [illegible] tax expense – Group

	2008 Shs'000	2007 Shs'000
[illegible] income tax	35,14[illegible]	3,900
[illegible] income tax (Note 14)	[illegible]	74,833
[illegible] expense	[illegible]	78,733

The tax [illegible] the group's profit before income tax differs from the theoretical [illegible] would arise using the statutory income tax [illegible] follows:

	2008 Shs'000	2007 Shs'000
[illegible]	[illegible]	270,330
[illegible] (2007: 30%)	[illegible]	81,099
[illegible] subject to [illegible]	[illegible]	(13,137)
[illegible] not deductible [illegible]	[illegible]	8,761
[illegible] provision [illegible] years	([illegible])	2,010
[illegible] tax expense	107,271	78,733

Notes (continued)

11 Earnings and dividends – Group

i) Basic and diluted earnings per stock unit

Basic and diluted earnings per stock unit is calculated on the profit attributable to the members of Kakuzi Limited and on the 19,599,999 stock units in issue at 31 December 2008 and 31 December 2007.

The company had no potentially dilutive stock units outstanding at 31 December 2008 and 31 December 2007.

	2008	2007
Profit attributable to equity holders of the company (Shs'000)	257,188	**189,643**
Number of stock units in issue (thousands)	19,600	**19,600**
Basic and diluted earnings per stock unit (Shs)	13.12	9.68

ii) Dividends per stock unit

At the annual general meeting to be held on 19 May 2009, the directors will recommend the payment of a first and final dividend of 20% equivalent to Sh 1.00 per stock unit **(2007: Nil)** in respect of the year ended 31 December 2008.

12 Share capital

	Number of stock units (Thousands)	Stock units Shs '000
Authorised		
At 1 January 2007, 31 December 2007 and 31 December 2008	20,000	100,000
Issued and converted into stock units		
At 1 January 2007, 31 December 2007 and 31 December 2008	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.

Notes (continued)

13 Borrowings – Group and Company

	2008 Shs'000	2007 Shs'000
The borrowings are made up as follows:		
Non-current		
Bank borrowings	109,000	183,000
Current		
Bank overdrafts	111,532	137,945
Bank borrowings	86,500	74,500
	198,032	212,445
Total borrowings	307,032	395,445

Of the bank borrowings amounting to Shs 740,800,000 (2007: Shs 800,898,000), Shs 226,300,000 (2007: Nil) is secured by a first legal charge on LR 10779/1 Nandi Hills and the remaining bank borrowing amounting to Shs 514,500,000 (2007: 800,898,000) 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.

The carrying amounts of bank borrowings and bank overdrafts approximate to their fair value.

None of the borrowings was in default at any time during the year.

Borrowing facilities	2008 Shs'000	2007 Shs'000
The group has the following undrawn committed borrowing facilities:		
Floating rate (expiring within one year)	433,768	506,300

The facilities expiring within one year are annual facilities subject to review at various dates during the year 2009.

Notes (continued)

14 Deferred income tax

Deferred income tax is calculated using the enacted tax rate of 30% (2007: 30%). The movement on the deferred income tax account is as follows:

	Group		Company	
	2008	**2007**	**2008**	**2007**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
At start of year	455,078	380,245	378,458	380,245
Transfer to subsidiary (Note 19(b))	-	-	-	(74,404)
Charge to profit and loss account	72,130	74,833	57,529	72,617
At end of year	527,208	455,078	435,987	378,458

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

	Group		Company	
	2008	**2007**	**2008**	**2007**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Deferred income tax assets	(54,078)	(81,923)	(50,958)	(74,994)
Deferred income tax liabilities	581,286	537,001	486,945	453,452
At end of year	527,208	455,078	435,987	378,458

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:

Notes (continued)

14 Deferred income tax (continued)

Year ended 31 December 2007 - Group	**Balance 1.1.2007 Shs'000**	**Charged/ (credit) to P&L Shs'000**	**Balance 31.12.2007 Shs'000**
Property, plant and equipment	159,206	(14,125)	145,081
Biological assets	341,668	49,283	390,951
Provisions for liabilities	(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

Year ended 31 December 2008 - Group	**Balance 1.1.2008 Shs'000**	**Charged/ (credit) to P&L Shs'000**	**Balance 31.12.2008 Shs'000**
Property, plant and equipment	145,081	2,226	147,307
Biological assets	390,951	42,652	433,603
Provisions for liabilities	(16,984)	359	(16,625)
Tax losses carried forward	(50,766)	27,486	(23,280)
Capital development expenditure	(14,173)	-	(14,173)
Other temporary differences	969	(593)	376
Net deferred income tax liability	455,078	72,130	527,208

Notes (continued)

14 Deferred income tax (continued)

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:

Year ended 31 December 2007 - Company

	Balance 1.1.2007 Shs'000	Transfer to subsidiary (Note 19) Shs'000	Charged/ (credit) to P&L Shs'000	Balance 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 for liabilities	(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

Year ended 31 December 2008 - Company

	Balance 1.1.2008 Shs'000	Charged/ (credit) to P&L Shs'000	Balance 31.12.2008 Shs'000
Property, plant and equipment	130,311	1,899	132,210
Biological assets	322,395	32,308	354,703
Provisions for liabilities	(10,055)	(3,450)	(13,505)
Tax losses carried forward	(50,766)	27,486	(23,280)
Capital development expenditure	(14,173)	-	(14,173)
Other temporary differences	746	(714)	32
Net deferred income tax liability	378,458	57,529	435,987

Notes (continued)

15 Retirement benefit obligations

The movement in service gratuities obligations is as follows:

	Group		Company	
	2008 Shs'000	2007 Shs'000	2008 Shs'000	2007 Shs'000
At start of year	46,107	40,137	27,260	40,137
Transfer to subsidiary (Note 19(b))	-	-	-	(17,802)
Charged to income statement (Note 9)	14,179	11,825	7,446	7,775
Utilised during the year	(3,041)	(5,855)	(1,375)	(2,850)
At end of year	57,245	46,107	33,331	27,260
Less: current portion	(7,456)	(6,342)	(3,798)	(2,923)
Non-current portion	49,789	39,765	29,533	24,337

The principal assumptions used are as follows:

	Group		Company	
	2008	2007	2008	2007
Future salary increases	10%	9%	10%	9%
Discount rate	10%	9%	10%	9%

Summary:					
Group:	2008 Shs'000	2007 Shs'000	2006 Shs'000	2005 Shs'000	2004 Shs'000
Present Value of obligation	57,245	46,107	40,137	47,318	47,228
Charge to income statement	14,179	11,825	12,329	10,378	14,678
Company:					
Present Value of obligation	33,331	27,260	40,137	47,318	47,228
Charge to income statement	7,446	7,775	12,329	10,378	14,678

Notes (continued)

16 Property, plant and equipment

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 13

Notes (continued)

16 Property, plant and equipment (continued)

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 19(b))	(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 19(b))	(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 Property, plant and equipment (continued)

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 2008						
Cost						
At start of year	913,901	187,525	112,941	37,176	22,210	1,273,753
Transfers	8,871	13,339	-	-	(22,210)	-
Additions	26,780	10,112	19,268	817	5,123	62,100
Disposals	(2,531)	(1,705)	(8,806)	-	-	(13,042)
At end of year	947,021	209,271	123,403	37,993	5,123	1,322,811
Depreciation and impairment						
At start of year	412,261	110,089	98,547	33,599	-	654,496
Charge for the year	25,767	11,435	8,029	1,595	-	46,826
On disposals	(2,278)	(1,151)	(8,576)		-	(12,005)
At end of year	435,750	120,373	98,000	35,194	-	689,317
Net book amount	511,271	88,898	25,403	2,799	5,123	633,494
Depreciation and impairment at year end comprises:						
Depreciation	358,160	119,784	98,000	34,819	-	610,763
Impairment	77,590	589	-	375	-	78,554
	435,750	120,373	98,000	35,194	-	689,317

Bank borrowings are secured on land, buildings and development to the value disclosed in Note 13.

Notes (continued)
16 Property, plant and equipment (continued)

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 2008						
Cost						
At start of year	835,322	86,605	99,397	32,747	21,219	1,075,290
Transfers	7,880	13,339	-	-	(21,219)	-
Additions	26,122	7,962	16,884	541	3,891	55,400
Disposals	(2,531)	(1,705)	(6,433)	-	-	(10,669)
At end of year	866,793	106,201	109,848	33,288	3,891	1,120,021
Depreciation and impairment						
At start of year	381,745	31,808	86,237	30,061	-	529,851
Charge for the year	23,620	7,199	6,864	1,149	-	38,832
On disposals	(2,277)	(1,151)	(6,203)	-	-	(9,631)
At end of year	403,088	37,856	86,898	31,210	-	559,052
Net book amount	463,705	68,345	22,950	2,078	3,891	560,969
Depreciation and impairment at year end comprises:						
Depreciation	325,498	37,267	86,898	30,835	-	480,498
Impairment	77,590	589	-	375	-	78,554
	403,088	37,856	86,898	31,210	-	559,052

Notes (continued)

17 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 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 19(b))	-	-	-	-	(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
Year ended 31 December 2008						
At start of year	87,687	1,308,900	1,396,587	87,687	1,102,385	1,190,072
Increase due to purchases and development	7,470	76,717	84,187	7,470	74,743	82,213
Gains arising from changes in fair value less estimated point-of-sale costs	25,552	155,887	181,439	25,552	86,558	112,110
Decrease due to harvest and sales	(29,126)	(68,425)	(97,551)	(29,126)	(53,607)	(82,733)
At end of year	91,583	1,473,079	1,564,662	91,583	1,210,079	1,301,662

Notes (continued)

17 Biological assets (continued)

Permanent plantings, which comprises tea, timber plantations, avocado, pineapple, macadamia, and livestock are carried at fair value less estimated point-of-sale costs.

The fair value of avocado is determined based on the discounted net present values of expected net cash flow, discounted at a current market determined pre-tax rate of 17.5% per annum. The key assumptions made concerning the future are as follows:

- projected lifespan of 25 years
- climatic condition will remain the same
- the market price will remain constant
- no account has been taken of inflation

The fair value of macadamia, as little biological transformation has taken place, is determined based on cost.

The fair value of other permanent plantings, where meaningful market-determined prices exist, is determined by external independent valuation based on recent market transaction prices. In prior years, the fair value was determined based on discounted net present values of expected net cash flow.

For permanent plantings, decrease due to harvest and sales is applicable to timber plantations and pineapple only.

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

Notes (continued)

17 Biological assets (continued)

	Group 2008 Hectares	Company 2008 Hectares	Group 2007 Hectares	Company 2007 Hectares
Areas planted with the various crops at the year end				
Tea	959	496	959	469
Timber plantations	1,729	1,489	1,579	1,388
Avocado	367	367	339	339
Pineapple	48	48	376	376
Macadamia	257	257	98	98
Citrus	-	-	7	7

	Head	Head	Head	Head
Cattle numbers on hand at the year end	4,406	4,406	4,217	4,217

	Metric tonnes	Metric tonnes	Metric tonnes	Metric tonnes
Output of agricultural produce during the year				
Tea (green leaf)	12,411	6,024	14,312	12,723
Avocado	5,983	5,983	4,558	4,558
Pineapple	26,628	26,628	51,055	51,055
Citrus	101	101	154	154

	Cubic metres	Cubic metres	Cubic metres	Cubic metres
Timber harvested during the year was:	13,397	6,812	31,673	23,234

Notes (continued)

17 Biological assets (continued)

	Group 2008 Shs'000	Group 2007 Shs'000	Company 2008 Shs'000	Company 2007 Shs'000
Fair value of the agricultural output after deducting estimated point-of-sale costs:				
Tea (green leaf)	318,126	273,882	155,677	242,482
Avocado	268,914	273,955	268,914	273,955
Pineapple	284,974	359,935	284,974	359,935
Others	103,594	153,526	88,776	153,526
	975,608	1,061,298	798,341	1,029,898

18 Prepaid operating lease rentals

	Group 2008 Shs'000	Group 2007 Shs'000	Company 2008 Shs'000	Company 2007 Shs'000
At start of year	8,135	8,145	4,434	8,145
Transfer to subsidiary (Note 19(b))	-	-	-	(3,702)
Amortization charge for the year	(9)	(10)	(5)	(9)
At end of year	8,126	8,135	4,429	4,434

19 Investment in subsidiaries (at cost)

(a) 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 76% (2007: 86% 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) owned.

Year ended 31 December 2007	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)

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

Year ended 31 December 2008	Siret Tea Company Limited Shs'000	Kaguru (EPZ) Limited Shs'000	Estates Services Limited Shs'000	Total Shs'000
At start of year	189,440	1,670	2,625	193,735
Disposal of shares in subsidiary	(22,028)	-	-	(22,028)
At end of year	167,412	1,670	2,625	171,707

(b) 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 16)	75,634
Biological assets (Note 17)	200,443
Prepaid operating lease rentals (Note 18)	3,702
Deferred income tax (Note 14)	74,404)
Retirement benefit obligations (Note 15)	17,802)
Working capital	26,215
	213,788

(c) Sale of shares in Siret Tea Company Limited

In the year 2007, 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 was 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. In the year 2008 EPK Outgrowers Empowerment Project Company Limited acquired a further 10% shareholding in Siret Tea Company Limited for total cash consideration for Shs 38,500,000. This brings the total shareholding by EPK Outgrowers Empowerment Project Company Limited in Siret Tea Company Limited to 24%.

Notes (continued)

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

(d) Minority interest acquisition - Group

Minority interest acquisition amounting to Shs 22,179,000 (2007: Shs 31,050,000)has been accounted for in the consolidated statement of changes in equity.

(e) 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		Company	
	2008	**2007**	**2008**	**2007**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Sale proceeds	38,500	53,900	38,500	53,900
Related cost of investment	(22,179)	(31,050)	(22,028)	(30,839)
Profit on sale of shares in subsidiary	16,321	22,850	16,472	23,061

20 Inventories

	Group		Company	
	2008	**2007**	**2008**	**2007**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Made tea	75,500	39,745	-	-
Consumables	41,078	38,988	34,103	33,616
	116,578	78,733	34,103	33,616

Notes (continued)

21 Receivables and prepayments

	Group		Company	
	2008	2007	2008	2007
	Shs'000	Shs'000	Shs'000	Shs'000
Trade receivables	115,638	96,898	67,049	56,631
Amounts due from related companies (Note 28(v))	12,861	2,600	4,104	-
Loans to key management personnel (Note 28(vi))	160	400	160	400
Value Added Tax (VAT)	89,910	86,175	75,015	82,688
Other receivables	29,295	25,059	23,068	19,478
	247,864	211,132	169,396	159,197
Less non-current portion	(16,876)	(12,428)	(14,739)	(10,324)
	230,988	198,704	154,657	148,873
Non-current receivables comprise				
Loans to key management personnel	-	160	-	160
Other receivables	16,876	12,268	14,739	10,164
	16,876	12,428	14,739	10,324

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(2007: Nil).

The carrying amounts of the current receivables approximate to their fair value.

22 Payables and accrued expenses

	Group		Company	
	2008	2007	2008	2007
	Shs'000	Shs'000	Shs'000	Shs'000
Trade payables	97,250	128,164	38,263	107,343
Amounts due to related companies (Note 28(v))	9,433	24,392	39,379	26,364
Accrued expenses	44,578	45,021	16,977	23,636
Interest payable	2,444	1,263	2,444	1,263
Other payables	19,060	8,395	13,429	5,316
	172,765	207,235	110,492	163,922

The carrying amounts of the payables and accrued expenses approximate to their fair values.

Notes (continued)

23 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	
	2008	2007	**2008**	2007
	Shs'000	Shs'000	**Shs'000**	Shs'000
Cash at bank and in hand	57,926	26,043	6,901	20,321
Bank overdrafts (Note 13)	(111,532)	(137,945)	(111,532)	(137,945)
	(53,606)	(111,902)	(104,631)	(117,624)

24 Joint venture for pineapple – Group and Company

The company's joint venture arrangement with Del Monte Kenya Limited for the growing of pineapple ceased in 2008. At 31 December 2008, there were no hectares (2007: 328 hectares)of company land developed under the joint venture.

The company's share of the revenue and expenses from the joint venture, where pineapples are processed and sold to Del Monte Kenya Limited who act as the operator/manager of the joint venture, included in these financial statements are:

	2008	2007
	Shs'000	Shs'000
Revenue	327,100	366,146
Expenses	(254,109)	(424,509)
Net Gain/(loss)	72,991	(58,363)

The amounts due from and due to Del Monte Kenya Limited for the ceased joint venture agreement at the year-end in respect of transactions arising in the ordinary course of business, which are included in trade receivables (Note 21) and trade payables (Note 22) respectively are: -

	2008	2007
	Shs'000	Shs'000
Due from Del Monte Kenya Limited	28,061	16,942
Due to Del Monte Kenya Limited	1,246	75,643

At 31 December 2008, the group had no capital commitments or contingent liabilities (2007: Nil) in respect of the joint venture.

Notes (continued)

25 Contingent liabilities – Group and Company

At 31 December 2008, the group did not have contingent liabilities (2007: Nil).

26 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	
	2008	2007	2008	2007
	Shs'000	Shs'000	Shs'000	Shs'000
Property, plant and equipment	6,167	25,053	5,429	24,687
Biological assets	3,659	6,494	3,659	6,494
	9,826	31,547	9,088	31,181

ii) Operating lease commitments

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

	Group		Company	
	2008	2007	2008	2007
	Shs'000	Shs'000	Shs'000	Shs'000
Not later than 1 year	10	10	5	4
Later than 1 year and not later than 5 years	36	36	16	16
Later than 5 years	8,080	8,089	4,408	4,414
	8,126	8,135	4,429	4,434

Notes (continued)

27 Cash generated from operations – Group

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

	2008 Shs'000	2007 Shs'000
Profit before income tax	390,189	270,330
Adjustments for:		
Interest expense (Note 7)	46,711	52,376
Depreciation (Note 16)	46,826	45,927
Amortisation of prepaid operating lease rentals (Note 18)	9	10
(Profit)/loss on sale of property, plant and equipment	(4,855)	5,013
Profit on sale of shares in subsidiary (Note 19(b))	(16,321)	(22,850)
Gains arising from changes in fair value less estimated point-of-sale costs of biological assets (Note 17)	(181,439)	(164,034)
Decrease in the fair value of biological assets due to sales and harvest and disposal (Note 17)	97,551	82,251
Changes in working capital		
- inventories	(37,845)	(5,290)
- receivables and prepayments	(36,732)	56,222
- payables and accrued expenses	(35,651)	23,707
- retirement benefit obligations	11,138	5,970
Cash generated from operations	279,581	349,632

Notes (continued)

28 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	
	2008	2007	2008	2007
	Shs'000	Shs'000	Shs'000	Shs'000
i) Sale of goods to:				
Eastern Produce Kenya Limited	45,596	4,342	9,177	3,621
Siret Tea Company Limited	-	-	146,500	25,999
	45,596	4,342	155,677	29,620
ii) Purchase of goods and services from:				
Linton Park Plc	26,590	33,410	26,590	33,410
Robertson Bois Dickson Anderson Limited	21,224	19,220	3,017	15,838
Eastern Produce Kenya Limited	67,333	59,634	16,696	51,165
Siret Tea Company Limited	-	-	9,160	-
	115,147	112,264	55,463	100,413
iii) Key management compensation				
Salaries and other short-term employment benefits	26,288	28,777	26,288	28,777
Post-employment benefits	244	246	244	246
	26,532	29,023	26,532	29,023
iv) Directors' remuneration				
Fees for services as a director	300	400	300	400
Other emoluments (included in key management compensation above)	1,915	13,578	1,915	13,578
	2,215	13,978	2,215	13,978

Notes (continued)

28 Related party transactions (continued)

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

	Group		Company	
	2008	2007	2008	2007
	Shs'000	Shs'000	Shs'000	Shs'000
Due from related companies				
Robertson Bois Dickson Anderson Limited	12,861	2,600	4,104	-
Due to related companies				
Eastern Produce Kenya Limited	4,831	16,430	1,617	5,783
Estate Services Limited	-	-	2,570	2,570
Siret Tea Company Limited	-	-	24,777	4,236
Kaguru (EPZ) Limited	-	-	5,813	5,813
Linton Park Plc	4,602	7,908	4,602	7,908
Eastern Produce Estates South Africa (Pty) Limited	-	54	-	54
	9,433	24,392	39,379	26,364

vi) Loans to related parties – Group and Company

	Directors	Other key management	Total
	Shs'000	Shs'000	Shs'000
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
Year ended 31 December 2008			
At start of year	-	400	400
Loan repayments during the year	-	(240)	(240)
At end of year	-	160	160

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Five year record

	2008 Shs'000	2007 Shs'000	2006 Shs'000	2005 Shs'000	2004 Shs'000
Turnover	1,620,319	1,512,118	1,399,194	1,110,348	1,424,503
Profit/(loss) before income tax and impairment	390,189	270,330	189,752	(96,852)	92,996
Impairment charge on property, plant and equipment	-	-	-	(15,230)	-
Profit/(loss) before income tax	390,189	270,330	189,752	(112,082)	92,996
Income tax (expense)/credit	(107,271)	(78,733)	(56,701)	38,315	(9,263)
Profit/(loss) after income tax	282,918	191,597	133,051	(73,767)	83,733
Minority interest	25,730	(1,954)	-	-	-
Profit/(loss) attributable to the members of Kakuzi Limited	257,188	189,643	133,051	(73,767)	83,733
Dividends: -					
Interim dividend - paid in the year	-	-	-	-	-
Proposed final dividend - for the year	19,600	-	-	-	19,600
	19,600	-	-	-	19,600
Capital and reserves: -					
Called up share capital	98,000	98,000	98,000	98,000	98,000
Reserves	1,469,633	1,167,916	945,269	812,218	912,712
Total equity	1,567,633	1,265,916	1,043,269	910,218	1,010,712
Basic earnings/(loss) per stock unit (Shs)	13.12	9.68	6.79	(3.76)	4.27
Dividends per stock unit (Shs)	1.00	-	-	-	1.00
Dividend cover	13.12	-	-	-	4.27
Total equity per stock unit (Shs)	79.98	64.59	53.23	46.44	51.57

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 2008 were:

	Stockholder name	Number of stock units	%
1.	Bordure Limited	5,107,920	26.06
2.	Lintak Investments Limited	4,828,714	24.64
3.	John Kibunga Kimani	1,124,585	5.74
4.	Barclays (Kenya) Nominees Limited A/c 9230	627,912	3.20
5.	Baloobhai Chhotabhai Patel	620,100	3.16
6.	Bawan Limited	375,069	1.91
7.	Joseph Barrage Wanjui	315,334	1.61
8.	G H Kluge & Sons Limited	239,118	1.22
9.	Henry Richard Moszkowicz	205,912	1.05
10.	HSBC Global Custody Nominee (UK) 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 2008 was:

Stock units range	Number of stockholders	Number of stock units	%
Less than 500	741	164,680	0.84
501 to 5,000	679	1,292,368	6.59
5,001 to 10,000	87	678,755	3.46
10,001 to 100,000	101	2,793,370	14.25
100,001 to 1,000,000	15	3,609,607	18.42
Over 1,000,000	3	11,061,219	56.44
	1,626	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 19 May 2009 at 12.00 noon and at any adjournment thereof.

As witness my/our hand(s) this........................... day of 2009

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
Nairobi

FOLD 3

INSERT FLAP INSIDE