KAKUZI LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

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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:

Mr. K W Tarplee*	Chairman (appointed as Chairman 1 April 2009)
Mr. G H Mclean*	Managing Director
Mr. K R Shah	
Mr. R Kemoli	
Mr. N Nganga	
Mr. C J Ames*	(appointed 19 May 2009)
Dr. T R Fowkes*	(resigned 31 March 2009)

* British

REGISTERED OFFICE

Main Office
Punda Milia Road, Makuyu
P O Box 24
01000 THIKA
Telephone (060) 2033012
Facsimile (060) 2031394
E-mail: mail@kakuzi.co.ke

SUBSIDIARY COMPANIES

Estates Services Limited
Siret Tea Company Limited
Kaguru EPZ Limited

SECRETARY AND DFFICE 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

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

STOCK UNITS

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

Notice of Meeting

NOTICE is hereby given that the Eighty Second Annual General Meeting of the members of the Company will be held in the Tinga Tinga Room, Fairmont The Norfolk Hotel, Nairobi on Thursday 27 May 2010 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 Eighty First Annual General Meeting held on 19 May 2009.

4. To receive, consider and adopt the financial statements for the year ended 31 December 2009 together with the reports of the Chairman, Directors and of the Independent Auditors thereon.

5. To declare a first and final dividend of 50% equivalent to Ksh 2.50 per stock unit (2008: Ksh 1.00) for the financial year ended 31 December 2009.

6. To elect Directors: -

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

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

7. To approve the Directors' remuneration for the year ended 31 December 2009 as shown in the financial statements.

8. To note that PricewaterhouseCoopers continue in office as Auditors to the Company 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 2010

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.

As we started the year, there was concern as to the effect recessionary trends worldwide would have on the demand for our major export crops. In addition we have experienced drought conditions throughout the year in particular at Makuyu. It is thus pleasing to report that satisfactory cropping levels and prices were attained and this has resulted in a profit before tax and the adjusted value of biological assets of Kshs 494.3 million. The biological assets adjustment amounted to Kshs 64.5 million and after income tax and minority interest the net profit attributable to the Members of Kakuzi Limited is Kshs 339 million.

MAKUYU OPERATIONS

It has been an exceptionally dry year and the benefits of significant investment in water resources and reticulation made in the past were realized. The returns from our Avocados were satisfactory. The early season Fuerte market was firm and at times our Hass production conveniently arrived at the market place when there was a shortage of supplies; and thus good prices were attained during such periods. We exported 139 containers of our own crop and this amounted to 24 % of total avocado shipments from Kenya. In addition we packed and shipped 94 containers of Fuerte smallholder crop. Unlike in 2008 there was an improvement in port operations and fortunately none of the vessels in which our crop was shipped were affected by piracy. We now have 377 Ha's of Avocado planted. Our Livestock performed well in that there was a shortage of good quality beef on the market due to 'traditional' suppliers being more affected by the drought than ourselves. It is at such times when the real benefit of 'conservation grazing' is realized, indeed we even had the benefit of surplus hay for sale. The Pineapple Joint Project Agreement with Del Monte produced satisfactory returns and we now have 1,120 Ha's covered under the agreement. Forestry Operations continued to be consolidated in order to realize long term commercial returns and during the year, we planted a further 23 Ha's of eucalyptus bringing our total forestry holding to 1252 Ha's. New Macadamia planting was curtailed due to the very dry conditions, however at the year end we had 352 Ha's planted.

NANDI HILLS

The dry weather conditions were not as severe as at Makuyu. Our estates produced 2.8 million kgs of made tea which considering the drier weather compares favourably with 2.9 million kgs produced in the previous year. Smallholder inputs to our factory increased significantly and our total factory production was 3.85 million kgs of made tea. A shortage of supply of good quality Kenya tea impacted favourably on prices and this resulted in satisfactory returns for this operation. The Outgrowers Empowerment Company now holds 41% of equity in Siret Tea Company. This initiative to date has proved beneficial for both Kakuzi Limited and the investing smallholders.

CSR AND ENVIRONMENTAL INITIATIVES

Kakuzi has given strong emphasis to this significant operational area. We have ensured that all water supply sources within out control are protected through planting and development of indigenous tree species. Our tea factory is self sustainable in fire wood supplies and our production factories for tea and avocado have attained top level international certifications, such as ISO 22000, Global GAP and Rain Forest Alliance. Our community outreach programmes have been successful and we will continue to give a strong emphasis to this very important area of our operation. We have 12% of our total land area covered by forestry.

STAFF

All staff have worked diligently and with resolve during what has been a very busy and some times difficult year and your Board of Directors would like to take this opportunity to thank them for their contribution towards a very satisfactory shareholder return.

DIVIDEND

The Board recommend the payment of 50% equivalent to Shs 2.50 per stock unit.

FUTURE DEVELOPMENT AND PROSPECTS

The uncertainties of future weather patterns will necessitate further consolidation of our water reserves particularly as some of our dams on the estates which were most affected by the drought reached critically low water levels towards the end of 2009. In this respect further investment is being made to be able to pump water from our large Ngenya Dam across to the dams on these estates. We plan to plant a further 130 Ha's of Macadamia bringing the total planted by the end of 2010 to 482 Ha's. At the time of writing this report, it is difficult to effectively gauge the overall market demand for our two major export crops, avocado and tea, for the year. Our cropping expectations for tea are similar to 2009 and the avocado crop is expected to attain an improvement on 2009 levels, provided that sufficient water is available for the trees. Cost inflation in particular for power, labour and shipping is of continued concern to your Directors. We have for the first time in many years brought our cash back into balance and this will continue to be a forward priority during what are expected to be difficult weather patterns and uncertainties as world wide recessionary trends continue.

K W TARPLEE
CHAIRMAN

11 March 2010

The directors submit their report together with the audited financial statements for the year ended 31 December 2009, 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, packing and selling of avocados
- Livestock farming
- Growing and selling of pineapples
- Forestry and Macadamia development

RESULTS AND DIVIDEND

The net profit for the year of Shs 390,295,000 has been added to retained earnings. During the year no interim dividend (2008: Shs Nil) was paid. The directors recommend the approval of a first and final dividend of 50% equivalent to Shs 2.50 per stock unit (2008: Shs 1.00)

ANNUAL GENERAL MEETING

The Eighty Second Annual General Meeting of the company will be held in the Tinga Tinga Room, Fairmont The Norfolk Hotel, Nairobi, on 27 May 2010 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 2009		At 31 December 2008	
	Beneficial Stock units	Non-beneficial Stock units	Beneficial Stock units	Non-beneficial Stock units
Mr. K W Tarplee	-	75	-	75
Mr. G H Mclean	100	-	100	-
Mr. K R Shah	200	-	200	-
Mr. R Kemoli	500	-	500	-
Mr. N Nganga	1,000	-	1,000	-
Mr. C J Ames	-	300	-	-
Dr. T R Fowkes	-	-	-	300

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

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

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

11 March 2010

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

11 March 2010

Mr. K R Shah

11 March 2010

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 Mr. N Nganga as chairman.

2. The nominating committee, constituted as a committee of the entire board, chaired by Mr. N Nganga.

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 2010	11 March 2010

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 11 to 55. These financial statements comprise the consolidated balance sheet at 31 December 2009 and the consolidated statement of comprehensive income, 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 2009 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 2009 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 and profit and loss account are in agreement with the books of account.

PricewaterhouseCoopers

Certified Public Accountants
Nairobi

11 March 2010

Consolidated statement of comprehensive income

	Notes	Year ended 31 December 2009 Shs'000	2008 Shs'000
Sales	5	2,008,157	1,613,216
Gains arising from changes in fair value less estimated point-of-sale costs of biological assets	17	64,562	181,439
		2,072,719	1,794,655
Cost of production		(1,195,941)	(1,121,010)
Gross profit		876,778	673,645
Other income	6	22,179	22,030
Distribution costs		(337,596)	(270,408)
Finance costs	7	(19,473)	(51,399)
Profit on sale of shares in subsidiary	19(d)	17,002	16,321
Profit before income tax		558,890	390,189
Income tax expense	10	(168,595)	(107,271)
Profit for the year (of which Shs 330,912,000 has been dealt with in the accounts of the company)		390,295	282,918
Other comprehensive income		-	-
Total comprehensive income		390,295	282,918
Profit attributable to:			
Equity holders of the company		339,897	257,188
Minority interest		50,398	25,730
Total comprehensive income attributable to:			
Equity holders of the company		339,897	257,188
Minority interest		50,398	25,730
		Shs	**Shs**
Earnings per share attributable to equity holders of the company:			
Basic and diluted earnings per stock unit	11	17.34	13.12

Consolidated and company balance sheets

	Notes	Group 31 December 2009 Shs'000	Group 31 December 2008 Shs'000	Company 31 December 2009 Shs'000	Company 31 December 2008 Shs'000
CAPITAL AND RESERVES ATTRIBUTABLE TO COMPANY'S EQUITY HOLDERS					
Share capital	12	98,000	98,000	98,000	98,000
Retained earnings		1,660,587	1,369,690	1,560,453	1,278,541
Proposed dividend	11	49,000	19,600	49,000	19,600
Attributable to company's equity holders		1,807,587	1,487,290	1,707,453	1,396,141
Minority interest		157,022	80,343	-	-
Total equity		1,964,609	1,567,633	1,707,453	1,396,141
Non-current liabilities					
Borrowings	13	-	109,000	-	109,000
Deferred income tax	14	554,511	527,208	469,124	435,987
Retirement benefit obligations	15	50,004	49,789	32,398	29,533
		604,515	685,997	501,522	574,520
		2,569,124	2,253,630	2,208,975	1,970,661
REPRESENTED BY					
Non-current assets					
Property, plant and equipment	16	604,446	633,494	538,000	560,969
Biological assets	17	1,623,069	1,564,662	1,374,669	1,301,662
Prepaid operating lease rentals	18	8,117	8,126	4,424	4,429
Investment in subsidiaries	19	-	-	134,259	171,707
Non-current receivables	21	19,185	16,876	16,630	14,739
		2,254,817	2,223,158	2,067,982	2,053,506
Current assets					
Inventories	20	148,091	116,578	48,979	34,103
Receivables and prepayments	21	128,116	230,988	140,774	154,657
Current income tax recoverable		-	33,869	-	33,816
Cash and cash equivalents	23	342,231	57,926	85,464	6,901
		618,438	439,361	275,217	229,477
Current liabilities					
Payables and accrued expenses	22	231,414	172,765	90,604	110,492
Current income tax payable		65,402	30,636	39,901	-
Borrowings	13	-	198,032	-	198,032
Retirement benefit obligations	15	7,315	7,456	3,719	3,798
		304,131	408,889	134,224	312,322
Net current assets/(liabilities)		314,307	30,472	140,993	(82,845)
		2,569,124	2,253,630	2,208,975	1,970,661

The financial statements on pages 11 to 55 were approved for issue by the board of directors on 11 March 2010 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 2008						
At start of year	98,000	1,134,912	-	1,232,912	33,004	1,265,916
Total comprehensive income for the year:						
Profit for the year	-	257,188	-	257,188	25,730	282,918
Other comprehensive income	-	-	-	-	-	-
Total	-	257,188	-	257,188	25,730	282,918
Contributions by and distributions to owners:						
Dividend paid to minority interests	-	-	-	-	(3,380)	(3,380)
Part disposal of a subsidiary (Note 19(c))	-	-	-	-	22,179	22,179
Change in composition of Group	-	(2,810)	-	(2,810)	2,810	-
Dividends:						
- Proposed for 2008	-	(19,600)	19,600	-	-	-
Total	-	(22,410)	19,600	(2,810)	21,609	18,799
At end of year	98,000	1,369,690	19,600	1,487,290	80,343	1,567,633
Year ended 31 December 2009						
At start of year	98,000	1,369,690	19,600	1,487,290	80,343	1,567,633
Total comprehensive income for the year:						
Profit for the year	-	339,897	-	339,897	50,398	390,295
Other comprehensive income	-	-	-	-	-	-
Total	-	339,897	-	339,897	50,398	390,295
Contributions by and distributions to owners:						
Dividend paid to minority interests	-	-	-	-	(29,600)	(29,600)
Part disposal of a subsidiary (Note 19(c))	-	-	-	-	55,881	55,881
Dividends:						
- Final for 2008	-	-	(19,600)	(19,600)	-	(19,600)
- Proposed for 2009	-	(49,000)	49,000	-	-	-
Total	-	(49,000)	29,400	(19,600)	26,281	6,681
At end of year	98,000	1,660,587	49,000	1,807,587	157,022	1,964,609

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 2008				
At start of year	98,000	1,117,470	-	1,215,470
Total comprehensive income for the year:				
Profit for the year	-	180,671	-	180,671
Other comprehensive income	-	-	-	-
Total	-	180,671	-	180,671
Contributions by and distributions to owners:				
Dividends:				
- Proposed for 2008	-	(19,600)	19,600	-
Total	-	(19,600)	19,600	-
At end of year	98,000	1,278,541	19,600	1,396,141
Year ended 31 December 2009				
At start of year	98,000	1,278,541	19,600	1,396,141
Total comprehensive income for the year:				
Profit for the year	-	330,912	-	330,912
Other comprehensive income	-	-	-	-
Total	-	330,912	-	330,912
Contributions by and distributions to owners:				
Dividends:				
- Final for 2008	-	-	(19,600)	(19,600)
- Proposed for 2009	-	(49,000)	49,000	-
Total	-	(49,000)	29,400	(19,600)
At end of year	98,000	1,560,453	49,000	1,707,453

Consolidated cash flow statement

	Notes	Year ended 31 December 2009 Shs'000	2008 Shs'000
Operating activities			
Cash generated from operations	27	749,220	279,289
Interest received		6,084	292
Interest paid		(21,917)	(45,530)
Income tax paid		(72,657)	(8,480)
Net cash from operating activities		660,730	225,571
Investing activities			
Purchase of property, plant and equipment	16	(16,634)	(62,100)
Purchase of biological assets and development	17	(78,035)	(84,187)
Proceeds from disposal of property, plant and equipment		1,593	5,892
Proceeds from sale of shares in subsidiary	19	72,883	38,500
Net cash used in investing activities		(20,193)	(101,895)
Financing activities			
Payments on long-term borrowings		(195,500)	(62,000)
Dividend paid to company's shareholders		(19,600)	-
Dividend paid to minority interest		(29,600)	(3,380)
Net cash used in financing activities		(244,700)	(65,380)
Increase in cash and cash equivalents		395,837	58,296
Movement in cash and cash equivalents			
At start of year		(53,606)	(111,902)
Increase		395,837	58,296
At end of year	23	342,231	(53,606)

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 consolidated 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 certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group'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.

Changes in accounting policy and disclosures

(a) New and amended standards adopted by the group

IFRS 8, 'Operating segments' – effective 1 January 2009. – IFRS 8 replaces IAS 14, 'Segment reporting'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker.

IAS 1 (revised). 'Presentation of financial statements' – effective 1 January 2009. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

IFRS 7 'Financial Instruments – Disclosures' (amendment) – effective 1 January 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The adoption of the amendment results in additional disclosures but does not have an impact on the measurement basis adopted by the group.

Notes (continued)

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(b) Interpretations effective in 2009 but not relevant

In 2009, the following new interpretations became effective for the first time but have not had an impact on the company's financial statements:

IFRS 2 (amendment), 'Share-based payment': - It clarifies that vesting conditions are service conditions and performance conditions only. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment.

IAS 23 (amendment), 'Borrowing costs' (effective from 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction of production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset.

(c) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the group

Two new standards (IFRS 3 – Business combinations and IAS 27 – Consolidated and separate financial statements) 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 2010, but the company has not early adopted any of them.

The Directors have assessed the relevance of these amendments and interpretations with respect to the Group's operations and concluded that they will not have a significant impact on the Group's financial statements for 2010.

(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) 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 statement of comprehensive income.

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 statement of comprehensive income within 'finance cost'. All other foreign exchange gains and losses are presented in the statement of comprehensive income account within 'other income'.

Notes (continued)

2 Summary of significant accounting policies (continued)

(d) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Executive Directors, who are responsible for allocating resources and assessing performance of the operating segments and making strategic decisions.

(e) Revenue recognition

Revenue comprises the fair value of the consideration received and receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax (VAT), returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised as follows:

(i) 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.

(ii) Interest income is recognised on a time proportion basis using the effective interest method. Dividends are recognised as income in the period in which the right to receive payment is established.

(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 Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income 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.

Notes (continued)

2 Summary of significant accounting policies (continued)

(f) Property, plant and equipment (continued)

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.

(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 statement of comprehensive income 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 including tea 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 statement of comprehensive income under cost of production in the period in which they are incurred.

(h) 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 statement of comprehensive income 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 statement of comprehensive income 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.

Notes (continued)

2 Summary of significant accounting policies (continued)

(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 Group 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 statement of comprehensive income.

(k) Payables

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

(l) Share capital

Stock units are classified as equity.

(m) 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.

(n) Employee benefits

(i) Post-employment benefits

For unionised employees, the Group 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 independent actuaries. The present value is determined by discounting the estimated future cash outflows using interest rates of government bonds. The currency and estimated term of these bonds is consistent with the currency and estimated term of the post-employment benefit obligation. 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.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the statement of comprehensive income.

In addition for non-unionised and non-management employees, the company has an unfunded obligation to pay service gratuity under their standard terms of service. Employees are eligible for up to sixteen days 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.

Any increases or decreases in the provision are taken to the statement of comprehensive income.

Notes (continued)

2 Summary of significant accounting policies (continued)

(n) Employee benefits (continued)

(i) Post-employment benefits (continued)

The Group operates a defined contribution post-employment benefit scheme for management employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group 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 Group and the employees. The Group and all its employees also contribute to the statutory National Social Security Fund, which is a defined contribution scheme.

The Group's contributions to both these defined contribution schemes are charged to the statement of comprehensive income 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.

(o) Income tax

Income tax expense is the aggregate of the charge to the statement of comprehensive income 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 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.

(p) 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 statement of comprehensive income 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.

Notes (continued)

2 Summary of significant accounting policies (continued)

(q) 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 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 service gratuities to non-management employees. The carrying amount of the provision and the key assumptions made in estimating the provision are set out in Note 15.

(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:

- whether assets are impaired.
- the recoverability of tax assets.

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.

Notes (continued)

4 Financial risk management objectives and policies (continued)

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 2009, 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 2,549,000 (2008: 2,835,000) higher/lower mainly as a result of US dollar trade receivables

At 31 December 2009 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 7,000 higher/lower (2008: Shs 149,000) mainly as a result of Euro denominated cash at bank and trade receivables.

(ii) Price risk

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

(iii) Cash flow interest rate risk

The Group has borrowings and bank overdraft facilities at variable rates, which exposes the Group to cash flow interest rate risk. The group regularly monitors financing options available to ensure optimum interest rates are obtained. For the year ended as at 31 December 2009, an increase/decrease of 5% would have resulted in a decrease/increase in post tax profit of Shs Nil (2008: Shs 1,629,000)

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 2009 is made up as follows:

	Group		Company	
	2009	2008	2009	2008
	Shs'000	Shs'000	Shs'000	Shs'000
Cash at bank	337,921	54,783	81,157	3,773
Trade receivables	78,867	115,638	13,084	67,049
Receivables from related companies	17,328	12,861	109,359	4,104
Loans to key management personnel	-	160	-	160
Other receivables	27,115	26,174	19,605	19,947
	461,231	209,616	223,205	95,033

Notes (continued)

4 Financial risk management objectives and policies (continued)

Credit risk (continued)

Collateral is only held for staff loans amounting to Shs 19,592,000 (2008: Shs 19,259,000) included in other receivables. The Group 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):

	Group		Company	
	2009	**2008**	**2009**	**2008**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Past due but not impaired:				
by up to 30 days	530	6,083	530	6.083
by 31 to 60 days	554	2,822	554	2,822
by 61 to 90 days	52	1,110	52	1,110
over 90 days	1,512	1,282	1,512	1,282
Total past due but not impaired	2,648	11,297	2,648	11,297
Impaired	-	-	-	-

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 Group's liquidity reserve on the basis of expected cash flow.

The table below analyses the group's and 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.

Notes (continued)

4 Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Group

	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 2009:				
- Bank borrowings	-	-	-	-
- Trade and other payables	231,414	-	-	-
- Tax payable	65,402	-	-	-
At 31 December 2008:				
- Bank borrowings	227,645	59,771	70,704	-
- Trade and other payables	172,765	-	-	-
- Tax payable	30,636	-	-	-

Company

	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 2009:				
- Bank borrowings	-	-	-	-
- Trade and other payables	90,604	-	-	-
- Tax payable	39,901	-	-	-
At 31 December 2008:				
- Bank borrowings	236,973	59,771	70,704	-
- Trade and other payables	110,492	-	-	-

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.

Notes (continued)

4 Financial risk management objectives and policies (continued)

Capital management (continued)

For the year ended 31 December 2009 the group monitored 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 gearing ratios at 31 December 2009 and 31 December 2008 were as follows:

	Group		Company	
	2009	**2008**	**2009**	**2008**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Total borrowings	-	307,032	-	307,032
Less: cash and cash equivalents	(342,231)	(57,926)	(85,464)	(6,901)
Net debt	-	249,106	-	300,131
Total equity	1,964,609	1,567,633	1,707,453	1,396,141
Total capital	1,964,609	1,816,739	1,707,453	1,696,272
Gearing ratio	N/A	13.7%	N/A	17.7%

Notes (continued)

5. Segmental reporting

Management has determined the operating segments based on the reports reviewed by the Executive Directors that are used to make strategic decisions.

The Group operates in two geographical areas in Kenya; Makuyu and Nandi Hills under several operating segments. The principal operating segments currently consist of Avocados and Tea. Macadamia will become a reportable operating segment in future (currently under all other segments) as it is expected to materially contribute to Group sales in the future. Other segments derive their sales from forestry, livestock, fresh pineapples and joint projects and are included under "all other segments" as they individually fall below the threshold of 10% of Group sales.

Segmental assets consist primarily of property, plant and equipment, biological assets, inventories, receivables and prepayments. Unallocated assets are property, plant and equipment, inventories relating to Main Office and Engineering and tax recoverable. Segmental liabilities consist primarily of borrowings, payables and accrued expenses. Unallocated liabilities are taxes, borrowings and non-current liabilities. The segment information for the reportable segments for the year ended 31 December 2009 and 31 December 2008 is as follows:

	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	Tea		Joint Venture Pineapples		Avocados		All other segments		Consolidated	
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Sales										
Sales to external customers	888,908	545,457	21,262	327,100	818,575	545,900	279,412	194,759	2,008,157	1,613,216
Comprising:										
Major external customers sales	551,359	296,792	21,262	327,100	805,111	530,269	-	-	1,377,732	1,154,161
All other external customers sales	337,549	248,665	-	-	13,464	15,631	279,412	194,759	630,425	459,055
	888,908	545,457	21,262	327,100	818,575	545,900	279,412	194,759	2,008,157	1,613,216
Geographical analysis:										
United Kingdom	365,495	159,727	-	-	153,788	140,557	-	-	519,283	300,284
Continental Europe	3,386	5,205	-	-	651,323	389,712	-	-	654,709	394,917
Kenya	406,708	297,272	21,262	327,100	13,464	15,631	279,412	194,759	720,846	834,762
Others	113,319	83,253	-	-	-	-	-	-	113,319	83,253
	888,908	545,457	21,262	327,100	818,575	545,900	279,412	194,759	2,008,157	1,613,216

Notes (continued)

5. Segmental reporting (continued)

	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	Tea		Joint Venture Pineapples		Avocados		All other segments		Consolidated	
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Profit/(loss)										
Gross profit /(loss) before depreciation and fair value changes in biological assets	293,395	167,695	22,407	41,458	507,059	344,422	34,750	(17,546)	857,611	536,029
Depreciation charge	(9,028)	(10,201)	-	(3,534)	(15,553)	(12,962)	(20,815)	(17,196)	(45,396)	(43,893)
Changes in fair value of biological assets	6,600	145,446	-	-	(7,050)	(6,401)	65,013	42,394	64,563	181,439
Gross profit	290,967	302,940	22,407	37,924	484,456	325,059	78,948	7,652	876,778	673,575
Distribution costs	(55,421)	(42,349)	-	-	(282,175)	(227,989)	-	-	(337,596)	(270,338)
Segment profit	235,546	260,591	22,407	37,924	202,281	97,070	78,948	7,652	539,182	403,237
Other unallocated income and expenses										
Other income									16,095	21,738
Interest income									6,084	292
Finance costs									(19,473)	(51,399)
Profit on sale of shares in subsidiary									17,002	16,321
Profit before income tax	235,546	260,591	22,407	37,924	202,281	97,070	78,948	7,652	558,890	390,189
Income tax expense	(68,779)	(71,663)	(6,543)	(10,429)	(59,066)	(26,694)	(34,207)	1,515	(168,595)	(107,271)
Profit for the year	166,767	188,928	15,864	27,495	143,215	70,376	44,741	9,167	390,295	282,918
Assets (all located in Kenya)										
Segment assets	971,358	679,052	-	108,545	890,246	937,496	790,685	713,968	2,652,289	2,439,061
Unallocated assets									220,966	223,458
									2,873,255	2,662,519
Liabilities										
Segment liabilities	197,385	170,453	-	1,246	31,887	144	30,671	17,826	259,943	189,669
Unallocated liabilities									44,188	219,220
									304,131	408,889
Additions										
Property, plant and equipment	4,132	8,147	-	-	4,456	35,611	8,046	18,342	16,634	62,100
Biological assets	-	92	-	-	12,557	29,791	65,478	54,304	78,035	84,187
	4,132	8,239	-	-	17,013	65,402	73,524	72,646	94,669	146,287

Notes (continued)

6 Other Income – Group

	2009 Shs'000	2008 Shs'000
Interest income	6,084	292
Net foreign exchange (loss)/gain, other than on borrowings	(1,517)	5,408
Gain on disposal of property, plant and equipment	1,307	4,855
Rental Income	4,558	4,720
Sundry	11,747	6,755
	22,179	22,030

7 Finance costs - Group

	2009 Shs'000	2008 Shs'000
Interest expense on bank borrowings and overdrafts	19,473	46,711
Net foreign exchange losses on borrowings	-	4,688
	19,473	51,399

8 Expenses by Nature - Group

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

	2009 Shs'000	2008 Shs'000
Depreciation on property, plant and equipment (Note 16)	45,396	46,826
Repairs and maintenance expenditure on property, plant and equipment	34,375	26,174
Profit on sale of shares in subsidiary (Note 19(d))	17,002	16,321
Armotisation of prepaid operating lease rentals (Note 18)	9	9
Gain arising from changes in fair value less estimated point-of-sale costs of biological assets (Note 17)	(64,562)	(181,439)
Inventories expensed	969,049	806,985
Employee benefits expense (Note 9)	331,697	317,342
Auditors' remuneration	4,631	3,897

Notes (continued)

9 Employee benefits expense – Group

The following items are included within employee benefits expense:

	2009 Shs'000	2008 Shs'000
Salaries and wages	314,165	294,665
Post-employment benefits costs:		
Defined benefit obligation (Note 15)	9,370	14,179
Defined contribution scheme	2,258	2,056
National Social Security Fund	5,904	6,442
	331,697	317,342

10 Income tax expense – Group

	2009 Shs'000	2008 Shs'000
Current income tax	141,292	35,141
Deferred income tax (Note 14)	27,303	72,130
Income tax expense	168,595	107,271

The tax on the group's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

	2009 Shs'000	2008 Shs'000
Profit before income tax	558,890	390,189
Tax calculated at the statutory income tax rate of 30% (2008: 30%)	167,667	117,057
Tax effect of:		
Income not subject to income tax	(5,216)	(5,051)
Expenses not deductible for income tax purposes	1,633	1,255
Over provision of deferred income tax in prior years	(202)	(5,990)
Under provision of current income tax in prior years	4,713	-
Income tax expense	168,595	107,271

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 2009 and 31 December 2008

The company had no potentially dilutive stock units outstanding at 31 December 2009 and 31 December 2008

	2009	2008
Profit attributable to equity holders of the company (Shs '000)	339,897	257,188
Number of stock units in issue (thousands)	19,600	19,600
Basic and diluted earnings per stock unit (Shs)	17.34	13.12

ii) Dividends per stock unit

At the annual general meeting to be held on 27 May 2010, the directors will recommend the payment of a first and final dividend of 50% equivalent to Sh 2.50 per stock unit (2008: Sh 1.00) in respect of the year ended 31 December 2009.

12 Share capital

	Number of stock units (Thousands)	Ordinary shares Shs '000
Authorised		
At 1 January 2008, 31 December 2008 and 31 December 2009	20,000	100,000
Issued and converted into stock units		
At 1 January 2008, 31 December 2008 and 31 December 2009	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

	2009 Shs'000	2008 Shs'000
The borrowings are made up as follows:		
Non-current		
Bank borrowings	-	109,000
Current		
Bank overdrafts	-	111,532
Bank borrowings	-	86,500
	-	198,032
Total borrowings	-	307,032

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

There was no default on the borrowings at any time during the year.

Borrowing facilities

	2009 Shs'000	2008 Shs'000
The group has the following undrawn committed borrowing facilities:		
Floating rate (expiring within one year)	626,300	433,768

The facilities expiring within one year are annual facilities subject to review at various dates during the year 2010.

The undrawn bank facilities of Shs 226,300,000 are secured by a legal change on LR 10779/1 Nandi Hills and the remaining undrawn bank facilities of Shs 400,000,000 are secured by an undertaking, at any time if and when required by the banks, to execute legal or other mortgages and charges including fixed or floating charges or assigned in favour of the banks.

Notes (continued)

14 Deferred income tax

Deferred income tax is calculated using the enacted tax rate of 30% (2008: 30%). The movement on the deferred income tax account is as follows:

	Group		Company	
	2009	**2008**	**2009**	**2008**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
At start of year	527,208	455,078	435,987	378,458
Charge to statement of comprehensive income	27,303	72,130	33,137	57,529
At end of year	554,511	527,208	469,124	435,987

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

	Group		Company	
	2009	**2008**	**2009**	**2008**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Deferred income tax assets	(32,271)	(54,078)	(28,705)	(50,958)
Deferred income tax liabilities	586,782	581,286	497,829	486,945
At end of year	554,511	527,208	469,124	435,987

Notes (continued)

14 Deferred income tax (continued)

Consolidated deferred income tax assets and liabilities, and deferred income tax charge/(credit) in the statement of comprehensive income (SCI) are attributable to the following items:

Year ended 31 December 2008 - Group	**Balance 1.1.2008 Shs'000**	**Charged/ (credit) to SCI 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

Year ended 31 December 2009 - Group	**Balance 1.1.2009 Shs'000**	**Charged/ (credit) to SCI Shs'000**	**Balance 31.12.2009 Shs'000**
Property, plant and equipment	147,307	(6,472)	140,835
Biological assets	433,603	11,945	445,548
Provisions for liabilities	(16,625)	(1,473)	(18,098)
Tax losses carried forward	(23,280)	23,280	-
Capital development expenditure	(14,173)	-	(14,173)
Other temporary differences	376	23	399
Net deferred income tax liability	527,208	27,303	554,511

Notes (continued)

14 Deferred income tax (continued)

Company deferred income tax assets and liabilities, and deferred income tax charge/(credit) in the statement of comprehensive income (SCI) are attributable to the following items:

Year ended 31 December 2008 - Company

	Balance 1.1.2008 Shs'000	Charged/ (credit) to SCI 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

Year ended 31 December 2009 - Company

	Balance 1.1.2009 Shs'000	Charged/ (credit) to SCI Shs'000	Balance 31.12.2009 Shs'000
Property, plant and equipment	132,210	(5,464)	126,746
Biological assets	354,703	16,325	371,028
Provisions for liabilities	(13,505)	(1,027)	(14,532)
Tax losses carried forward	(23,280)	23,280	-
Capital development expenditure	(14,173)	-	(14,173)
Other temporary differences	32	23	55
Net deferred income tax liability	435,987	33,137	469,124

Notes (continued)

15. Post-employment benefit obligations – Group (continued)

The amounts recognised in the statement of comprehensive income for the year are as follows:

	Gratuity		Service Gratuity		Total	
	2009	2008	2009	2008	2009	2008
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Current service cost	3,431	6,040	5,085	2,328	8,516	8,368
Interest on obligation	3,294	5,811	-	-	3,294	5,811
Net actuarial gains recognised in the year	(2,440)	-	-	-	(2,440)	-
Total included in employee benefits expenses (Note 9)	4,285	11,851	5,085	2,328	9,370	14,179

The principal actuarial assumptions used are as follows:

	Gratuity		Service Gratuity	
	2009	2008	2009	2008
Discount rate (% p.a.)	10%	10%	10%	10%
Future salary increases (% p.a.)	8%	10%	8%	10%

Five year summary:	2009	2008	2007	2006	2005
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Present value of post-employment benefit obligations	57,319	57,245	46,107	40,137	47,318
Net expense recognised in the statement of comprehensive income	9,370	14,179	11,825	12,329	10,378

Notes (continued)

15. Post-employment benefit obligations - Company

The amounts recognised in the balance sheet are determined as follows:

	Gratuity		Service Gratuity		Total	
	2009	2008	2009	2008	2009	2008
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Present value of post-employment benefit obligations	16,166	17,845	19,951	15,486	36,117	33,331
Split as follows:						
Non-current portion					32,398	29,533
Current portion					3,719	3,798

The movement in present value of the post-employment benefit obligations is as follows:

	Gratuity		Service Gratuity		Total	
	2009	2008	2009	2008	2009	2008
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Liability at start of year	17,845	13,408	15,486	13,852	33,331	27,260
Net expense recognised in the income statement	1,576	5,118	5,085	2,328	6,661	7,446
Benefits paid	(3,255)	(681)	(620)	(694)	(3,875)	(1,375)
Liability at end of year	16,166	17,845	19,951	15,486	36,117	33,331

Notes (continued)

15. Post-employment benefit obligations – Company (continued)

The amounts recognised in the statement of comprehensive income for the year are as follows:

	Gratuity		Service Gratuity		Total	
	2009	2008	2009	2008	2009	2008
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Current service cost	1,597	2,681	5,085	2,328	6,682	5,009
Interest on obligation	1,450	2,437	-	-	1,450	2,437
Net actuarial gains recognised in the year	(1,471)	-	-	-	(1,471)	-
Total included in employee benefits expenses (Note 9)	1,576	5,118	5,085	2,328	6,661	7,446

The principal actuarial assumptions used are as follows:

	Gratuity		Service Gratuity	
	2009	2008	2009	2008
Discount rate (% p.a.)	10%	10%	10%	10%
Future salary increases (% p.a.)	8%	10%	8%	10%

Five year summary:	2009	2008	2007	2006	2005
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Present value of post-employment benefit obligations	36,117	33,331	27,260	40,137	47,318
Net expense recognised in the statement of comprehensive income	6,661	7,446	7,775	12,329	10,378

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 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 facilities are secured on land, buildings and development to the value disclosed in Note 13

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 2009						
Cost						
At start of year	947,021	209,271	123,403	37,993	5,123	1,322,811
Transfers	1,375	27	2,974	554	(4,930)	-
Additions	8,134	-	2,161	3,260	3,079	16,634
Disposals	(283)	-	(2,416)	(235)	-	(2,934)
At end of year	956,247	209,298	126,122	41,572	3,272	1,336,511
Depreciation and impairment						
At start of year	435,750	120,373	98,000	35,194	-	689,317
Charge for the year	23,457	11,292	7,530	3,117	-	45,396
On disposals	(205)	-	(2,247)	(196)	-	(2,648)
At end of year	459,002	131,665	103,283	38,115	-	732,065
Net book amount	497,245	77,633	22,839	3,457	3,272	604,446
Depreciation and impairment at year end comprises:						
Depreciation	381,412	131,076	103,283	37,740	-	653,511
Impairment	77,590	589	-	375	-	78,554
	459,002	131,665	103,283	38,115	-	732,065

Bank borrowings facilities 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)

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 2009						
Cost						
At start of year	866,793	106,201	109,848	33,288	3,891	1,120,021
Transfers	170	-	2,974	554	(3,698)	-
Additions	7,649	-	2,161	2,890	3,079	15,779
Disposals	(207)	-	(2,416)	(173)	-	(2,796)
At end of year	874,405	106,201	112,567	36,559	3,272	1,133,004
Depreciation and impairment						
At start of year	403,088	37,856	86,898	31,210	-	559,052
Charge for the year	22,002	7,550	6,717	2,277	-	38,546
On disposals	(174)	-	(2,247)	(173)	-	(2,594)
At end of year	424,916	45,406	91,368	33,314	-	595,004
Net book amount	449,489	60,795	21,199	3,245	3,272	538,000
Depreciation and impairment at year end comprises:						
Depreciation	347,326	44,817	91,368	32,939	-	516,450
Impairment	77,590	589	-	375	-	78,554
	424,916	45,406	91,368	33,314	-	595,004

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 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
Year ended 31 December 2009						
At start of year	91,583	1,473,079	1,564,662	91,583	1,210,079	1,301,662
Increase due to purchases and development	22,867	55,168	78,035	22,867	53,770	76,637
Gains arising from changes in fair value less estimated point-of-sale costs	34,306	30,256	64,562	34,306	21,014	55,320
Decrease due to harvest and sales	(38,581)	(45,609)	(84,190)	(38,581)	(20,369)	(58,950)
At end of year	110,175	1,512,894	1,623,069	110,175	1,264,494	1,374,669

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:

- avocado – 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.

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 2009 Hectares	Company 2009 Hectares	Group 2008 Hectares	Company 2008 Hectares
Areas planted with the various crops at the year end				
Tea	959	496	959	496
Timber plantations	1,698	1,476	1,729	1,489
Avocado	377	377	367	367
Pineapple	48	48	48	48
Macadamia	352	352	257	257

	Head	Head	Head	Head
Cattle numbers on hand at the year end	4,738	4,738	4,406	4,406

	Metric tonnes	Metric tonnes	Metric tonnes	Metric tonnes
Output of agricultural produce during the year				
Tea (green leaf)	11,947	5,475	12,411	6,024
Avocado	6,319	6,319	5,983	5,983
Pineapple	1,332	1,332	26,628	26,628

	Cubic metres	Cubic metres	Cubic metres	Cubic metres
Timber harvested during the year was:	46,646	31,971	13,397	6,812

Notes (continued)

17 Biological assets (continued)

	Group		Company	
	2009	**2008**	**2009**	**2008**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Fair value of the agricultural output after deducting estimated point-of-sale costs:				
Tea (green leaf)	429,443	318,126	196,523	155,677
Avocado	368,570	268,914	368,570	268,914
Pineapple	26,109	284,974	26,109	284,974
Others	149,852	103,594	124,612	88,776
	973,974	975,608	715,814	798,341

18 Prepaid operating lease rentals

	Group		Company	
	2009	**2008**	**2009**	**2008**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
At start of year	8,126	8,135	4,429	4,434
Amortization charge for the year	(9)	(9)	(5)	(5)
At end of year	8,117	8,126	4,424	4,429

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 59% owned (2008: 76% 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.

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

Notes (continued)

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

Year ended 31 December 2009	Siret Tea Company Limited Shs'000	Kaguru EPZ Limited Shs'000	Estates Services Limited Shs'000	Total Shs'000
At start of year	167,412	1,670	2,625	171,707
Disposal of shares in subsidiary	(37,448)	-	-	(37,448)
At end of year	129,964	1,670	2,625	134,259

(b) 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 from Kakuzi Limited 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. The company has sold its shareholding in Siret Tea Company Limited to EPK Outgrowers Empowerment Project Company Limited as follows:

	Year 2007	Year 2008	Year 2009	Total
Percentage shareholding sold	14%	10%	17%	41%
Cash consideration (Shs'000)	53,900	38,500	72,883	165,283

(c) Minority interest acquisition - Group

Acquisition of additional stake by minority shareholders amounting to Shs 55,881,000 (2008: Shs 22,179,000) has been accounted for in the consolidated statement of changes in equity.

Notes (continued)

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

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

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

	Group		Company	
	2009	2008	2009	2008
	Shs'000	Shs'000	Shs'000	Shs'000
Sale proceeds	72,883	38,500	72,883	38,500
Related cost of investment	-	-	(37,448)	(22,028)
Related carrying value of investment	(55,881)	(22,179)	-	-
Profit on sale of shares in subsidiary	17,002	16,321	35,435	16,472

20 Inventories (at cost)

	Group		Company	
	2009	2008	2009	2008
	Shs'000	Shs'000	Shs'000	Shs'000
Made tea	82,677	75,500	-	-
Consumables	65,414	41,078	48,979	34,103
	148,091	116,578	48,979	34,103

Notes (continued)

21 Receivables and prepayments

	Group		Company	
	2009	2008	2009	2008
	Shs'000	Shs'000	Shs'000	Shs'000
Trade receivables	78,867	115,638	13,084	67,049
Amounts due from related companies (Note 28(v))	17,328	12,861	109,359	4,104
Loans to key management personnel (Note 28(vi))	-	160	-	160
Value Added Tax (VAT)	21,213	89,910	12,578	75,015
Other receivables	29,893	29,295	22,383	23,068
	147,301	247,864	157,404	169,396
Less non-current portion	(19,185)	(16,876)	(16,630)	(14,739)
	128,116	230,988	140,774	154,657
Non-current receivables				
Other receivables	19,185	16,876	16,630	14,739

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 (2008: Nil).

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

22 Payables and accrued expenses

	Group		Company	
	2009	2008	2009	2008
	Shs'000	Shs'000	Shs'000	Shs'000
Trade payables	153,541	92,537	44,853	38,263
Amounts due to related companies (Note 28(v))	3,461	9,433	8,383	39,379
Accrued expenses	30,752	31,369	20,211	16,977
Interest payable	-	2,444	-	2,444
Other payables	43,660	36,982	17,157	13,429
	231,414	172,765	90,604	110,492

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	
	2009	2008	2009	2008
	Shs'000	Shs'000	Shs'000	Shs'000
Cash at bank and in hand	342,231	57,926	85,464	6,901
Bank overdrafts (Note 13)	-	(111,532)	-	(111,532)
	342,231	(53,606)	85,464	(104,631)

24 Joint venture for pineapple – Group and Company

The company's joint venture arrangement with Del Monte Kenya Limited for the growing of pineapples ceased in 2008. At 31 December 2009 there were no hectares (2008: Nil 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:

	2009	2008
	Shs'000	Shs'000
Revenue	22,407	327,100
Expenses	-	(254,109)
Net Gain	22,407	72,991

The amounts due from and due to Del Monte Kenya Limited 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: -

	2009	2008
	Shs'000	Shs'000
Due from Del Monte Kenya Limited	-	28,061
Due to Del Monte Kenya Limited	-	1,246

At 31 December 2009, the group had no assets, liabilities, capital commitments or contingent liabilities (2008: Nil) in respect of the joint venture.

Notes (continued)

25 Contingent liabilities – Group and Company

At 31 December 2009, the group did not have contingent liabilities (2008: 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	
	2009	2008	2009	2008
	Shs'000	Shs'000	Shs'000	Shs'000
Property, plant and equipment	6,411	6,167	6,411	5,429
Biological assets	-	3,659	-	3,659
	6,411	9,826	6,411	9,088

ii) Operating lease commitments

At 31 December 2009 there were no future minimum lease payments under non-cancellable operating leases (2008: Nil)

Notes (continued)

27 Cash generated from operations – Group

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

	2009 Shs'000	2008 Shs'000
Profit before income tax	558,890	390,189
Adjustments for:		
Interest income (Note 6)	(6,084)	(292)
Interest expense (Note 7)	19,473	46,711
Depreciation (Note 16)	45,396	46,826
Amortisation of prepaid operating lease rentals (Note18)	9	9
Profit on sale of property, plant and equipment	(1,307)	(4,855)
Profit on sale of shares in subsidiary (Note 19(d))	(17,002)	(16,321)
Gains arising from changes in fair value less estimated point-of-sale costs of biological assets (Note 17)	(64,562)	(181,439)
Decrease in the fair value of biological assets due to sales and harvest and disposal (Note 17)	84,190	97,551
Changes in working capital		
– inventories	(31,513)	(37,845)
– receivables and prepayments	100,563	(36,732)
– payables and accrued expenses	61,093	(35,651)
– retirement benefit obligations	74	11,138
Cash generated from operations	749,220	279,289

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 Group.

The following transactions were carried out with related parties:

	Group		Company	
	2009	2008	2009	2008
	Shs'000	Shs'000	Shs'000	Shs'000
i) Sale of goods to:				
Eastern Produce Kenya Limited	102,719	45,596	42,844	9,177
Siret Tea Company Limited	-	-	175,377	146,500
	102,719	45,596	218,221	155,677
ii) Purchase of goods and services from:				
Linton Park Plc	14,218	26,590	14,218	26,590
Robert Bois Dickson Anderson Limited	35,265	21,224	5,628	3,017
Eastern Produce Kenya Limited	118,806	67,333	14,962	16,696
Siret Tea Company Limited	-	-	9,242	9,160
	168,289	115,147	44,050	55,463
iii) Key management compensation				
Salaries and other short-term employment benefits	29,860	26,288	29,860	26,288
Post-employment benefits	259	244	259	244
	30,119	26,532	30,119	26,532
iv) Directors' remuneration				
Fees for services as a director	400	300	400	300
Other emoluments (included in key management compensation above)	490	1,915	490	1,915
	890	2,215	890	2,215

Notes (continued)

28 Related party transactions (continued)

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

	Group		Company	
	2009	2008	2009	2008
	Shs'000	Shs'000	Shs'000	Shs'000
Due from related companies				
Eastern Produce Kenya Limited	15,723	-	15,723	-
Siret Tea Company Limited	-	-	93,636	-
Robert Bois Dickson Anderson Limited	1,605	12,861	-	4,104
	17,328	12,861	109,359	4,104
Due to related companies				
Eastern Produce Kenya Limited	3,461	4,831	-	1,617
Estates Services Limited	-	-	2,570	2,570
Siret Tea Company Limited	-	-	-	24,777
Kaguru EPZ Limited	-	-	5,813	5,813
Linton Park Plc	-	4,602	-	4,602
	3,461	9,433	8,383	39,379

vi) Loans to related parties – Group and Company

	Directors	Other key management	Total
	Shs'000	Shs'000	Shs'000
Year ended 31 December 2008			
At start of year	-	400	400
Loan repayments during the year	-	(240)	(240)
At end of year	-	160	160
Year ended 31 December 2009			
At start of year	-	160	160
Loan repayments during the year	-	(160)	(160)
At end of year	-	-	-

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Kakuzi Limited

Five year record

	2009 Shs'000	2008 Shs'000	2007 Shs'000	2006 Shs'000	2005 Shs'000
Turnover	2,008,157	1,613,216	1,512,118	1,399,194	1,110,348
Profit/(loss) before income tax and impairment	558,890	390,189	270,330	189,752	(96,852)
Impairment charge on property, plant and equipment	-	-	-	-	(15,230)
Profit/(loss) before income tax	558,890	390,189	270,330	189,752	(112,082)
Income tax (expense)/credit	(168,595)	(107,271)	(78,733)	(56,701)	38,315
Profit/(loss) after income tax	390,295	282,918	191,597	133,051	(73,767)
Minority interest	(50,398)	(25,730)	(1,954)	-	-
Profit/(loss) attributable to the members of Kakuzi Limited	339,897	257,188	189,643	133,051	(73,767)
Dividends: -					
Interim dividend - paid in the year	-	-	-	-	-
Proposed final dividend - for the year	49,000	19,600	-	-	-
	49,000	19,600	-	-	-
Capital and reserves: -					
Called up share capital	98,000	98,000	98,000	98,000	98,000
Reserves and Minority Interest	1,866,609	1,469,633	1,167,916	945,269	812,218
Total equity	1,964,609	1,567,633	1,265,916	1,043,269	910,218
Basic earnings/(loss) per stock unit (Shs)	17.34	13.12	9.68	6.79	(3.76)
Dividends per stock unit (Shs)	2.50	1.00	-	-	-
Dividend cover	6.94	13.12	-	-	-
Total equity per stock unit (Shs)	100.24	79.98	64.59	53.23	46.44

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 2009 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	1,181,385	6.03
4. Barclays (Kenya) Nominees Limited A/c 9230	627,912	3.20
5. Baloobhai Chhotabhai Patel	620,100	3.16
6. Joseph Barrage Wanjui	437,338	2.23
7. Bawan Limited	375,069	1.91
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 2009 was:

Stock units range	Number of stockholders	Number of stock units	%
Less than 500	737	166,486	0.85
501 to 5,000	671	1,289,871	6.58
5,001 to 10,000	83	684,455	3.49
10,001 to 100,000	101	2,774,451	14.16
100,001 to 1,000,000	15	3,566,717	18.20
Over 1,000,000	3	11,118,019	56.72
	1,610	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,

Fairmont The Norfolk Hotel, Nairobi, Kenya on 27 May 2010 at 12:00 noon and at any

adjournment thereof.

As witness my/our hand(s) this........................... day of 2010

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

FOLD 3

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